



Office of Inspector General

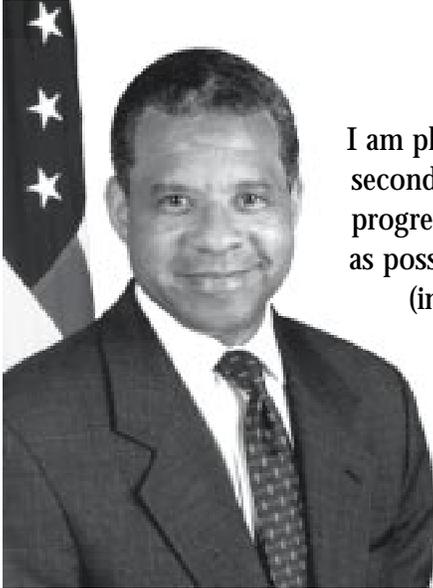
United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Semiannual Report to the Congress

October 1, 2001, to March 31, 2002



A MESSAGE FROM THE INSPECTOR GENERAL



I am pleased to provide the Congress with this my second semiannual report. I believe that we have made progress in redirecting as much of our limited resources as possible from support functions to core functions (inspections, audits, and investigations). The percentage of our budget devoted to the former has decreased during this period from 29 percent to 22 percent, and the percentage devoted to the latter has increased from 71 percent to 78 percent. Furthermore, we are working hard to produce more products, of higher quality, in a shorter time period.

Despite our limited resources, we have recommitted the Office of Inspector General (OIG) to inspecting the management and effectiveness of every embassy, consulate, and domestic bureau and office on a five-year cycle. We are refocusing security oversight inspections from a “checklist approach” to a mission’s compliance with applicable rules and regulations to an evaluation of the quality and effectiveness of security programs in light of the applicable security threats. We are auditing expenditures and programs with a view to promoting effectiveness, efficiency, and economy. We are trying to complete criminal investigations as quickly as possible, with due regard for the rights of the accused. Our goal is to complete all projects within six months, barring exceptional circumstances.

We are working to reduce our backlog of outstanding recommendations. We are reviewing each recommendation with a critical eye, closing those that we no longer believe to be significant, practical, or relevant. We will insist on the prompt implementation of the remainder, invoking the rarely used impasse procedure, if necessary.

We are working to make good on our commitment better to serve the needs of the Broadcasting Board of Governors (BBG). The new International Broadcasting Oversight Office is hard at work conducting inspections, doing audits, evaluating programs, and otherwise serving the needs of the various entities that comprise the BBG.

I have personally worked hard to develop still more and even better relationships with members of Congress and their staffs through meetings, briefings, telephone conferences, correspondence, and written reports. I welcome further opportunities to work with Congress and to fulfill my obligation to keep you fully and currently advised of OIG activities.

EXECUTIVE SUMMARY

During this reporting period work of the OIG for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG) focused on its four strategic goals.

I . The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad.

During this reporting period OIG undertook to support all management inspections with participation by at least one security inspector, who develop a “limited scope inspection report” that examined specific security issues at post. OIG is providing its full security inspections of embassies selected on the basis of threats to them and their security vulnerabilities. Oversight of the chiefs’ of mission coordination of intelligence activities in their respective countries remains a high priority. Finally, in this cycle OIG reviewed procedures designed to enhance the security of Department operations, particularly those abroad and, depending on resource availability, plans to expand the information security component to inspections.

OIG completed a major review of domestic security programs, which, among other issues, examined compliance with earlier recommendations concerning the handling of classified information at the Department’s Main State facility in Washington, D.C. OIG concluded that the Department has made significant strides in enhancing the protection afforded to classified information, especially Sensitive Compartmented Information (SCI). In March 2001, pursuant to a recommendation of the OIG, the Department signed a Memorandum of Agreement transferring the responsibility for handling the SCI program from the Bureau of Intelligence (INR) to the Bureau of Diplomatic Security (DS). The Department also reduced the number of offices where SCI is processed, read and discussed, and enhanced physical security for those offices. Since OIG’s first report, the Department strengthened procedures for reporting security incidents.

OIG has also completed an audit of the Armored Vehicle Program, and conducted security oversight inspections at Embassies Paramaribo, Suriname, Beijing, Bangkok, Vientiane, Georgetown, and Consulate General Hong Kong during this reporting period. In addition, compliance follow-up reviews were completed for Embassy Panama City, Panama, Embassy Brussels, Belgium, for U.S. Mission to the European Union and for the U.S. Mission to the North Atlantic Treaty Organization, also in Brussels.

In response to a congressional request, OIG reviewed the contracting process and performance of the Department's overseas explosive detection program. OIG also reviewed DS management controls for operating, maintaining, and accounting for explosive detection equipment. OIG found that the procurement of explosive detection equipment was in accordance with federal regulations, that explosive detection equipment operated without false positive readings and without significant downtime, and that management controls over the operation and maintenance of equipment were adequate. OIG identified areas for improvement in the program as well as for maintenance and management of the equipment.

OIG also completed a review of the Department's OpenNet Plus program. OIG found that the Department is taking a structured approach to implementing Internet capability, and has a process for ensuring that bureaus and overseas missions meet established requirements before they are granted connectivity. However, the Department has not instituted all of the policies necessary to support OpenNet Plus implementation, particularly with regard to eliminating redundant Internet connections and monitoring employee use of the Internet.

OIG reviewed the Classified Connectivity Program (CCP), which is an ongoing effort within the Department to deploy a classified information processing and communications network to over 250 embassies and consulates around the world. The CCP is providing a commercial-style network and modern hardware and software for desktop classified processing. OIG found that the Department's initial approach to C-LAN modernization was largely unstructured and, due to funding constraints, only about 20 installations were completed in 1998-99. The original objective was for 48 deployments per year over a five year period. However, the Department currently has a disciplined CCP approach in place under the direction of the Program Management and Analysis Division in the Bureau of Information Resource Management (IRM) and is making progress. The division has completed an additional 55 deployments for a total of 75 classified local area network modernizations as of September 2001, and is currently preparing a financial plan that will allocate FY 2002 funds in accordance with congressional direction.

In its review of the classified network, however, OIG found that DS had not completed the steps necessary for CCP certification. This independent, technical review by DS must identify vulnerabilities to ensure that the system meets federal information security requirements. DS provided a strategy orally, but there was no documented plan for carrying out the systems certification. Moreover, DS planned to delay certifying the CCP concept until late 2002, and did not anticipate conducting subsequent certification of missions' technical and physical environments until 2003. Meanwhile, IRM officials estimate that as many as 85 to 90 percent of missions did not have information technology contingency plans in place, despite the fact that there are multiple toolkits available. OIG recommended that IRM coordinate and consolidate its contingency planning program with related activities in other Department offices. This would not only help promote consistent information contingency planning for the CCP, but also support the Department's overall information technology infrastructure. IRM agreed with OIG's recommendations, and is working with DS to coordinate information contingency plans with emergency action plans.

OIG assessed the vulnerability of information technology for the central financial management system as part of its audit of the principal financial statements. Financial statement audits require an assessment of the adequacy of the internal control process for recording, accumulating, and reporting financial data. This, in turn, requires an assessment of the security over the automated systems that process financial data. At OIG's direction, independent external computer specialists performed a vulnerability assessment of the Central Financial Management System. OIG found that the specific security features associated with this system appeared to function correctly and were well managed. Most of the vulnerabilities detected pertained to system configuration issues that could be corrected without affecting overall network performance and were similar to problems noted during another vulnerability assessment, which suggests that similar problems may exist throughout the Department's information technology structure.

II. The Department and BBG effectively, efficiently, and economically advance the foreign policy interests of the United States.

During this reporting period, the OIG inspected five African embassies, seven European missions, seven Western Hemisphere embassies, and five East Asia and Pacific embassies.

At the overseas missions OIG has inspected since September 11, several common themes emerged:

Embassy Security: Completion of the Department's plans for constructing secure facilities is critical. At most missions, the security situation could easily become untenable and, in some cases, OIG recommended moves to temporary locations. Many chanceries are seriously vulnerable. OIG recommended a re-examination by the Department of staffing numbers in light of the security situation and limited U.S. interests for some embassies.

War on Terrorism: OIG found that the embassies inspected were energetic and creative in supporting the U.S. war on terrorism. Embassies took serious and appropriate precautions with respect to their own security and carried out their "visa viper" obligations in most cases with vigor. Many embassies developed creative public diplomacy strategies to promote post-September 11 policies. However, a number of embassies need to revise their Mission Performance Plan to reflect new policies and programs.

Personnel: In general, the professionalism and dedication of Department American and Foreign Service national (FSN) staff serving in embassies is impressive. However, hardship embassies and consulates are not getting the personnel resources they need. Too often staffing gaps are allowed to occur and even continue indefinitely. Moreover, many of the staff in hardship embassies are first tour officers and lack much needed experience to deal with the problems and issues confronting them in these remote, difficult environments. Frequently, supervision of these officers is not sufficient, in part, because embassy leadership is overburdened trying to make up for staffing gaps. In several instances, OIG encouraged bureau leadership to develop "swat teams" of experienced officers who could be assigned to a mission temporarily to train FSN staff and correct problems so that operations could be brought to some normalcy before being turned over to staff assigned on a permanent basis.

Public Diplomacy Staffing: This was a problem in most of the hardship embassies. There were insufficient public diplomacy resources, including personnel in the Baltic embassies and in most of African embassies.

Embassy construction: The Office of Overseas Buildings Operations (OBO) has made considerable progress in developing more effective ways of implementing the foreign building program. However, significant additional resources are needed if construction for all embassies requiring renovation or relocation because of security vulnerabilities is to be undertaken. OIG found OBO consistently responsive when it discovered deficiencies and problems during the course of its inspections.

OIG completed a review of the munitions export licensing process at the Department pursuant to a provision of the National Defense Authorization Act for FY 2000, Public Law 106-65, Title XIV, Section 1402, which requires an annual report. In addition, OIG participated in an interagency review conducted in cooperation with the Offices of Inspectors General for the Departments of Commerce, Defense, and Energy to review the interoperability of information systems and the interagency review process for issuing munitions and dual-use export licenses.

OIG's report, "Streamlined Processes and Better Automation can Improve Munitions License Reviews," found that the program managed by the Department's Office of Defense Trade Controls (DTC) is inefficient and unnecessarily burdensome on industry and other federal agencies involved in munitions license controls. OIG found that the process involves extensive use of manual and paper-based means to transfer information that must be re-keyed into computer systems by recipient organizations. In addition, the process lacks adequate tracking mechanisms from beginning to end, resulting in lost and misplaced applications, as well as additional time and effort. In part, these problems have resulted from DTC's information technology infrastructure, which is comprised of multiple systems that are independent of one another. DTC recognizes the need to improve its munitions licensing processes and related information systems and is now developing plans to upgrade its information technology capabilities. DTC's efforts need to include effective risk management strategies and adequate industry and agency input to identify and meet program requirements. Absent a revised business process, an investment in new technology will merely automate an inefficient way of doing business.

In compliance with the third-year requirement of the National Defense Act mandate for an interagency OIG review, as noted above, the OIGs for State, Commerce, Defense and Energy conducted a review of the federal automation programs that support the export licensing and review process. Specifically, the OIGs reviewed processes and planned improvement initiatives for the dual-use and munitions export licensing environments. In addition, the OIGs assessed the interagency efforts of the U.S. Export Systems Interagency Program Management Office, which is a Defense Department effort designed to help modernize the overall export licensing process. This review found that the dual-use export licensing process involves multiple automated systems many of which are no longer effective for the present era of export license processing. Significant problems include differing security standards among agencies and cumbersome manual and paper-based processes. Moreover, there is no comprehensive database of export information available to assist in assessing the cumulative effects of

multiple exports. These agencies need to coordinate efforts to modernize and to consider alternatives to the existing interagency process. The OIGs' interagency review also found that the program is not providing all participating agencies with electronic access to export data.

The interagency OIG report recommended that the Secretary of State develop a memorandum of understanding with the Secretaries of Defense, Energy, and the Treasury that will ensure that federal automated munitions export licensing systems are developed, integrated, and modernized without unnecessary duplication. The OIGs also recommended that the Secretary of Commerce, in conjunction with the Secretaries of Defense, Energy, State and the Treasury, take the necessary steps to establish accountability for developing, integrating, and modernizing federal automated dual-use export licensing systems without unnecessary duplication.

OIG's report on the "Department of State Humanitarian Response Efforts for Women Refugees and Conflict Victims" found progress in providing women with assistance in public health, national capacity building, and food and nutrition. However, reduced international donor support for food in Africa hampers refugee response efforts. Continued attention is needed to integrate women's issues into international and nongovernmental programming and to develop international standards for addressing psychological social distress or health. The Bureau of Population, Refugees, and Migration (PRM) is at the forefront of promoting the integration of women's humanitarian needs into all aspects of programming. Performance monitoring and evaluation are done at the project or country level, but there is no systematic approach to evaluating overall progress in meeting program objectives. OIG recommended that an automated database to retrieve and analyze project proposals, projects, and progress be on line by this year. OIG also found that PRM-funded international organizations are generally less accountable for performance than nongovernmental organizations.

In response to a congressional request, OIG reviewed the Department's program that supports the International Police Task Force (IPTF) in Bosnia. This review included an evaluation of allegations that appeared in the media of misconduct by U.S. police officers serving with the United Nations (UN) in Bosnia. The Department awarded a contract in February 1996, to DynCorp Aerospace Technology, Ltd. (Dyncorp) to provide police officers in support of the IPTF mission. The main task of the IPTF was to bring the local police force in Bosnia up to European standards. IPTF has no executive authority, its members do not carry weapons, and they have no arrest powers. OIG found that enhancements in the screening and training processes have improved the quality officers serving in Bosnia. Since 1998,

only about two percent of the over 900 officers who have served in Bosnia had to be dismissed; this percentage reflects the number of officers formally terminated for a variety of causes, including misconduct, AWOL, and insubordination. OIG found, however, that an additional 2.7 percent of officers had resigned while under review for similar conduct. No formal action had been taken to terminate these officers for cause. While overall contract administration was adequate, contract modifications were approved without adequate consideration for contract competition. The initial contract was for \$4.5 million and now totals over \$270 million due to the addition of other police operations in other countries for recruitment. OIG recommended steps to strengthen contract administration and that the Department issue a new competitive procurement in 2002.

In a “Survey of Civil Service Leadership Training” OIG found that the Department has made progress in emphasizing the importance of this training for civil service personnel. The Department’s Office of Civil Service Personnel and the School of Leadership and Management have developed a leadership “competencies development initiative.” Despite efforts to publicize the program however, 55 percent of the employees interviewed were not aware of its availability.

In response to a Congressional request, the OIG reviewed the BBG’s broadcast activities in the Middle East and the plans for a new initiative to transmit to the Middle East by radio, the Middle East Radio Network (MERN). MERN is designed to provide an alternative to the local media and is intended to be a credible source of news and information about both the countries in the region and the United States. OIG found that MERN is an innovative and timely initiative that can advance U.S. foreign policy interests in the Middle East. The structure and format of MERN will be different from previous Voice of America (VOA) programming and represents a new model for international broadcasting that is a hybrid of traditional VOA programming about America and local broadcast streams. MERN, however, is only partially operational at this time and should be considered a pilot project that can and will evolve over time.

In its report on MERN, OIG made three recommendations. First, the Department should develop and implement a plan to develop the internal language proficiency necessary to articulate American policies and viewpoints in Middle Eastern media outlets. Second, the BBG should design and implement a program, in coordination with the Department, to place public diplomacy advisors with MERN. Third, BBG should design and implement a plan to introduce as much news programming in Middle East Radio Network Broadcasts as it can as quickly as possible. Due to the limited time available to conduct this survey, the OIG will conduct a more thorough

follow-up review once MERN has been operational for a year.

OIG reviewed the BBG's broadcast affiliates program, which includes over 1,900 active affiliates. "Affiliates" are stations to which the BBG transmits programs for rebroadcasting to local audiences. Affiliates broadcast in real time or rebroadcast via television, FM and AM radio or live streaming on the Internet. The primary goal of the affiliates program is "to promote the free flow of information around the world." The objectives of OIG's review were to determine whether the affiliates program is adequately planned and effectively implemented and whether monitoring and controls are in place and effective. OIG found that the Office of Affiliate Relations was relying on miscellaneous BBG planning documents and other engineering studies for guidance, which provide only a general framework. As BBG places more emphasis on the quality of the affiliates program, the affiliates office needs to develop a comprehensive strategic plan. While the affiliates program has succeeded in expanding audiences, it is hampered in its mission by a lack of resources. A Memorandum of Understanding now in place between the BBG and the Department provides a greater opportunity for public affairs sections at embassies to work in support of BBG affiliates overseas. Finally, OIG found that the affiliates office needs to improve its monitoring of affiliate broadcasts and administrative controls over affiliates equipment and agreements.

III. The Department and BBG have the necessary financial and support systems and controls to meet legal and operational requirements.

OIG reviewed the Department's passport agencies to assess the adequacy of the internal controls over cashing operations and with respect to blank passports. OIG concluded that the Bureau of Consular Affairs (CA) has established a comprehensive set of procedures, which, if implemented, would minimize the risk of malfeasance in these transactions. However, the internal control procedures were not implemented consistently at five of the six passport agencies visited. OIG found that CA needs to conduct management assessment reviews more frequently, and the unannounced adjudication audit program is not achieving its primary objective of preventing and detecting malfeasance.

In the second of two OIG reviews of the Department's accounts receivables, which are debts owed to the Department by the public and by other governmental

agencies, OIG found that of the over \$128 million owed at the end of fiscal year 1999, \$93.8 million represented intergovernmental receivables. OIG determined that the Department did not properly account for debt owed the Department by other agencies. As a result, accounts were significantly overstated. In addition, there were insufficient controls over reimbursable agreements, collection processes, payment processing and recording, and the accounts receivable computer system. Further, the Domestic Accounts Receivable Tracking System did not produce a reliable aging schedule.

An audit of the Department's 2001 and 2000 Principal Financial Statements required by the Government Management Reform Act (GMRA) of 1994 (Public Law 103-356), found that, although an unqualified opinion was issued, there were concerns about the security of an unclassified network and the Overseas Accounting and Disbursing System. The independent external auditor working under OIG's direction also found inadequate internal controls over management of undelivered orders, and an inadequate financial and accounting system in the Department due both to internal control weaknesses and noncompliance with several laws and regulations.

During an audit of the FSN payroll, OIG found that, overall, the payroll system compensated FSNs in a reasonably accurate manner. However, OIG did identify concerns with the FSN payroll process, and with the performance standards. For example, OIG found that the three systems used to process FSN payroll were not integrated. OIG also found that the FSN payroll was antiquated and did not meet user needs. The Department had developed a standardized personnel system, but use of this system was not mandatory.

Other financial audits performed by OIG were the following:

- OIG audited the International Boundary and Water Commission's Financial Statements and reported assets of \$375 million. OIG issued an unqualified opinion of IBWC for FY 2000.
- OIG audited the International Cooperative Administrative Support Services financial Statements for 1999 and 2000, and issued an unqualified opinion. The independent contractor working under OIG direction, however, brought to management's attention concerns about the security of the unclassified network and the Overseas Accounting and Disbursing System and the inadequacy of the Department's financial and accounting system.

Summaries of additional audit work are included in the body of this report.

IV. The Department and BBG are free of fraud, waste, abuse, and mismanagement.

OIG investigates and audits allegations of criminal, civil and administrative misconduct. Investigations completed during this reporting period included embezzlement, contract fraud, visa fraud and conflict of interest cases.

OIG investigated financial irregularities at the Miami Passport Agency in the summer of 2000 based upon information provided by CA. On January 18, 2002, both defendants, who were cashiers at the passport office, pleaded guilty to charges of embezzling over \$850,000. As part of the statement submitted to the U.S. District court, the defendants admitted that they had used the stolen passport fees to purchase vehicles, take vacations, and pay other personal expenses.

OIG conducted a review of invoices submitted for services provided by two contractors and found that payments were made for invoices that were not allowable or appropriate to the contracts. As a result, OIG questioned \$113,604 of the \$392,480 that the Department's Bureau of Human Resources and Bureau of Resources Management paid to the contractors.

In July 2001, subsequent to an OIG investigation, a federal grand jury in Birmingham, Alabama, indicted a large U.S. construction company, the company's foreign affiliate and the company's former president for conspiring to rig bids and defraud the U.S. government of more than \$250 million on projects funded by the U.S. Agency for International Development (USAID) in Egypt between 1988 and 1996. On February 4, 2002, the foreign affiliate of the American construction company, pleaded guilty to the bid-rigging charge and agreed to pay \$54 million to the U.S. government for its role in the scheme. On February 12, 2002, a trial found the former president of the American company guilty of both charges. Sentencing of this company official is still pending.

OIG received information from the U.S. Border Patrol (USBP) indicating that laser visas were being issued to Mexican nationals who would not have legitimately qualified for such visas, such as criminal aliens, or aliens who had previously been deported from the United States. USBP reported that it had seized five such visas that had been issued by a particular consulate near the U.S. borders. An OIG investigator traveled to the consulate in January 2002, and, working with a Regional Security Officer and a USBP agent, found that two FSNs employed at the consulate had

conspired to issue laser visas to ineligible Mexican nationals. The two employees estimated that they had issued approximately 60 such visas in one year for about \$1,000 per visa. In total, four Mexican nationals were terminated from employment.

An OIG investigation determined that a senior Department official failed to submit calendar year 2000 Public Financial Disclosure Report after having been sent several written notices. As a result of the investigation, the official paid the \$200 late filing penalty and the Bureau of Human Resources (HR) proposed a three-day suspension. In another investigation, OIG determined that a senior Department official failed to disclose an unpaid membership on the Board of Advisors of a Department contractor, creating the appearance of a conflict of interest. HR issued a letter of reprimand to the senior official for failure to seek ethics advice and giving preferential treatment.

In follow-up action on an investigation of a Northern Virginia based company in a large-scale scheme to use fraudulently the DB-5 investor visa program, whereby U.S. immigration visas may be issued to foreign nationals who invest at least \$500,000 in a business that creates jobs in high-unemployment areas of the United States, one of the defendants was sentenced to 124 months' imprisonment, and the other was sentenced to 112 months' imprisonment. On January 11, 2002, both defendants were ordered to serve three years of supervised release upon completion of their prison terms and to make restitution of \$17.6 million to the victims of the scheme.

CONGRESSIONAL ACTIVITIES AND OUTREACH

Reports Requested by Congress

- In response to a request from the Chairman of the House Subcommittee on National Security, Veterans' Affairs, and International Relations, the Inspector General issued a report on the managerial and contracting practices of DynCorp with respect to its contract with the Department to recruit, train and oversee an American police presence in Bosnia.
- In response to a request from the Ranking Member of the Senate Foreign Relations Committee, the Inspector General issued a report regarding the Broadcasting Board of Governors' activities and initiatives directed to the Middle East. The Inspector General also briefed staff of the Senate Foreign Relations Committee and the House International Relations Committee regarding this report.
- In response to an inquiry by the Chairman of the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations, the Inspector General responded to questions regarding the Department's financial management systems.
- In response to an inquiry from the House Subcommittee on Commerce, Justice, State, the Judiciary, and Related Agencies, the Inspector General discussed the Department's practices for handling the unclassified diplomatic pouch. The OIG will review pouch operations in future embassy inspections and will conduct a fourth quarter review of unresolved problems in pouch operations.
- As mandated by the National Defense Authorization Act for FY 2000, Public Law 106-65, Title XIV, Section 1402, the Inspector General issued a review of the Department's munitions export-licensing process.
- Also as mandated by the National Defense Authorization Act for FY 2000, Public Law 106-65, Title XIV, Section 1402, the Inspector General participated in an interagency review and contributed to a report regarding the adequacy of federal policies and procedures for preventing the export of sensitive technologies and technical information to countries of concern. This review

was conducted in conjunction with work done by the Inspectors General of the Departments of Commerce, Defense, and Energy and in consultation with the Central Intelligence Agency and the Federal Bureau of Investigation.

Proposed Legislation Reviewed by OIG

The OIG reviewed for comment the following proposed legislation:

- HR 1646 and S 1401 - The Foreign Relations Authorization Act, Fiscal Years 2002 and 2003, which authorizes the appropriations for the Department to carry out its authorities, functions, duties and responsibilities in the conduct of the foreign affairs of the United States and for other purposes authorized by law, including public diplomacy activities and the diplomatic security program.
- HR 2500 and S 1215 (became Public Law 107-77) – The Departments’ of Commerce, Justice, State and the Judiciary and Related Agencies Appropriations Act, 2002, which appropriated funds for these agencies through September 2003.
- HR 2506 (became Public Law 107-115) - The Foreign Operations Appropriations Act 2002, which appropriated funds for the export and investment assistance, foreign assistance, foreign military assistance programs, multilateral economic assistance, and international development and counternarcotics activities.
- HR 2975 and S 1510 (incorporated into H.R. 3162, which became Public Law 107-56) – The USA Patriot Act of 2001, which deters and punishes terrorist acts in the United States and around the world by enhancing law enforcement authorities.
- HR 3969 – Freedom Promotion Act, which reshapes critical elements of the Department, including new authority for the Under Secretary of State for Public Diplomacy, new requirements for the development of a comprehensive strategy for public diplomacy overseas, and a reorganization of international broadcasting services.
- HR 3525 and S 1749 (and provisions regarding border security that were included in S 1627, S 1618, HR 3129, HR 3221, HR 3229, HR 3205, S 1615, HR 3286, and HR 3181) – Enhanced Border Security and Visa Entry Reform Act, which tightens border security and increases monitoring of foreign students.

- S 1438 (became Public Law 107-107) – National Defense Authorization Act, which provided appropriations for the Department of Defense, military construction and defense activities of the Department of Energy. The bill also included provisions for “recovery audits” to detect erroneous payments.

The Inspector General met on a number of occasions with members of the House and Senate and their staffs to review and comment on a variety of issues and questions regarding proposed legislation affecting the operations and programs of the Department and the BBG.

Outreach/Media Assistance

The Inspector General briefs all newly appointed ambassadors and new Foreign Service officers on the role and function of the OIG as well as on specific issues related to their embassies of assignment. The Inspector General delivered the keynote address for the Civil Service Orientation Class in February.

Members of the OIG executive staff provided briefings to three classes of new Civil Service employees on the role, mission, and services provided by OIG. The Deputy Inspector General delivered a keynote address at the graduation ceremonies for a course for new auditors at the IG Auditor Training Institute. The acting Assistant Inspector General for Inspections addressed a conference of administrative officers, hosted by the Bureau of African Affairs, on the role and services provided by OIG.

The Assistant Inspector General for Congressional/Media Affairs, Policy and Outreach met with the Bulgarian Attorney General, officials in the Bulgarian Ministry of Justice, and the Bulgarian Ministry of Interior to discuss legislation and policies to establish an inspectorate in each of these organizations. Members of the OIG executive staff met with the Under Secretary General for Internal Oversight Services of the United Nations to discuss strategies and oversight issues of common concern.

During this reporting period the OIG responded to over fifty media inquiries regarding OIG activities and reports. In addition, radio, television and news articles concerning the Department, the BBG, and the work of OIG generated seventeen items for press guidance.

OIG is working toward providing even more products and information to the public through the new website. The improved website features user-friendly search capability and more extensive coverage of the entire catalog of OIG products. Please visit <http://oig.state.gov> frequently for up-to-date information on OIG publications and activities.

Government Performance and Results Act Review

The Department has made progress in strategic and performance planning. The Government Accounting Office, for example, characterized the Department's FY 2002 Performance Plan as a significant improvement over earlier plans, although some deficiencies remain. For example, performance targets are vague, and there is a lack of clear explanations of how the Department's efforts relate to those of other agencies where responsibilities intersect. In coordination with OIG, the Department has developed a strategy to validate and verify the quality of the Department's performance information. The strategy involves identification of the most critical measures of success; using a combination of approaches, including OIG reviews and self-assessments by program managers, to verify and validate the data and systems behind those measures; certifications by program managers that procedures are in place to ensure the accuracy of their data; and training of program managers on performance data requirements and conducting self-assessments.

OIG continues to assess Department goals, performance measures, and performance data as an integral component of its audits and inspections. For example, OIG found that, for certain humanitarian programs, performance monitoring and evaluation are done at the project or country level, but there is no systematic approach to evaluating overall progress in meeting program objectives.



United States Department of State
and the Broadcasting Board of Governors

Inspector General

SECURITY

April 30, 2002

MEMORANDUM

TO: The Secretary C

FROM: OIG - Clark Kent Erwin

SUBJECT: Semiannual Report to Congress,
October 1, 2001, to March 31, 2002

I am pleased to transmit to you the Office of Inspector General's semiannual report to the Congress for the period ending March 31, 2002.

During this reporting period, OIG undertook to add at least one security inspector to each post management inspection team, who developed a "limited scope inspection report" examining specific security issues at posts. OIG completed a major review of domestic security programs, which among other issues, examined compliance with earlier recommendations concerning the handling of classified information. OIG concluded that the Department has made significant strides in enhancing the protection of classified information, especially Sensitive Compartmented Information (SCI). The Department reduced the number of offices where SCI is processed, read, and discussed, and enhanced physical security for those offices. In response to a congressional request, OIG reviewed the contracting process and performance of the Department's explosive detection program. OIG identified areas for improvement in the program, as well as for maintenance and management of the equipment. OIG also completed an audit of the Armored Vehicle Program and conducted several full security oversight inspections.

OIG completed a review of the Department's OpenNet Plus program and found that the Department is taking a staged approach to implementing Internet capability and has a process for ensuring that bureaus and overseas missions meet established requirements before they are granted connectivity. OIG also reviewed the classified connectivity program, the ongoing effort to deploy a classified information processing and communications network to over 250 embassies and consulates around the world. OIG recommended that the Department coordinate and consolidate its contingency planning program with related Department activities.

OIG reviewed the Department's passport agencies to assess the adequacy of the internal controls over cashing operations and blank passports. OIG found that the Bureau of Consular Affairs needs to conduct management assessment reviews more frequently, and that the unannounced adjudication audit program is not achieving its primary objective of preventing and detecting malfeasance.

Investigations conducted during this period included embezzlement, contract fraud, visa fraud and, conflict of interest cases.

The Inspector General Act requires that you transmit the report to the appropriate committees of the Congress by May 31, 2002, together with any comments you may wish to make.

SECURITY

During this reporting period, OIG security oversight inspections were conducted at Embassies Paramaribo, Suriname, Beijing, Bangkok, Vientiane, Georgetown, and Consulate General Hong Kong. In addition, compliance follow-up reviews were completed on the following missions—Embassy Panama City, Panama, Embassy Brussels, Belgium, the U.S. Mission to the European Union, and the U.S. Mission to the North Atlantic Treaty Organization.

Because these reports discuss specific security vulnerabilities of the Department and its missions, synopses of classified reports will be published in the classified annex to this report, which has limited distribution. The titles of the classified reports issued during this semiannual period are listed in the appendix of this report.

SIO's audits division will review the shipment of classified systems, and will continue its review of the protection of classified documents at Main State.

Enhancing the Protection of Classified Documents at Department Headquarters (SIO-A-02-35)

OIG initiated a review of the handling of classified information to assess the Department's progress in correcting deficiencies noted in the September 1999 OIG audit report on the protection of classified information at Main State. The Senate Select Committee in its report for the FY 2001 Intelligence Authorization bill directed OIG to conduct annual follow up reviews through 2006. Although the report language was ultimately not included in the legislation, OIG intends to review the handling of classified information on an annual basis for the next few years. The report cited below was the first such follow-up review.

The Department has made significant strides in enhancing the protection of classified information, especially SCI. In March 2001 the Department signed a Memorandum of Agreement transferring responsibility for protecting SCI from INR to DS. The Department has reduced the number of offices where SCI is

processed, handled, read and discussed, and enhanced the protective measures in and for those offices. However, as of the writing of the SCI review, DS had not yet assumed the control function for SCI documents from the time a document is received, through its use by Department consumers, to its return to its source or storage within the Department.

The number of security incidents has declined since the 1999 OIG report as a result of the above measures and other efforts, such as a more aggressive briefing program for security awareness and a strengthened reporting program for security incidents. Nevertheless, the Department needs to improve further its efforts to ensure that all security violations are promptly referred for administrative action.

Management of the Armored Vehicle Program (SIO-A-02-09)

OIG performed this audit as part of OIG oversight of the Department's initiatives to enhance security of overseas missions in the aftermath of the August 1998 embassy bombings in East Africa. The purpose of the audit was to determine whether the armored vehicle program, which was increased significantly after the bombings, is managed effectively and in accordance with applicable laws and regulations.

Since 1999, the Department acquired and distributed more than 1,000 armored vehicles to all embassies and consulates overseas, more than tripling the Department's fleet of armored vehicles worldwide. This dramatic increase was funded for about \$100 million, which was provided under the Omnibus Consolidated and Emergency Supplemental Appropriations Act, Public Law 105-277.

The Department has undertaken several important actions in connection with this increase in the size of the fleet of armored vehicles. In particular, the Department initiated the revision of armored vehicle security standards to identify future armored vehicle needs for missions overseas, addressed how the increased requirements will be funded through Fiscal Year 2008, and initiated action to acquire fully armored vehicles for embassies and consulates in countries where right-hand drive is the standard.

While OIG supports the Department's actions, additional issues should be addressed; specifically:

- The Department should request an authoritative opinion from the National Highway Traffic Safety Administration to determine whether the Motor Vehicle Safety Act of 1966, as amended (Public Law 89-563), and Federal Motor Vehicle Safety Standards apply to the Department's armored vehicle program which is largely overseas;
- The Department should collect information on armored vehicle operation and maintenance problems from all overseas missions annually and attempt to address systemic problems; and
- The Department should develop uniform instructions for the vehicles and make annual funding commitments for initial and periodic refresher armored vehicle driver training.

INSPECTIONS

Review of Domestic Passport Operations (ISP-I-02-32)

The OIG reviewed CA's domestic passport operations. The primary objectives of this review were to assess the adequacy of the internal controls over cashier operations and with respect to blank passport books at the regional passport agencies. A secondary objective was to review the adequacy of CA oversight of the passport offices. OIG initiated this review as part of a follow up to work performed at the Miami Passport Agency, where major fraud was detected in the cashiering office during the summer of 2000.

Overall, OIG found that the Office of Passport Policy and Advisory Services in CA's Directorate of Passport Services has established a comprehensive set of internal control procedures for cashiering and blank passport book controls. If the established internal controls are followed, the risk of cashiering and blank passport book malfeasance is minimized. However, OIG found that the internal control procedures over cashiering were not implemented consistently at five of the six passport agencies visited. In addition, CA's management assessment/internal control reviews are not conducted frequently enough to assess adequately whether internal controls have been properly implemented. Finally, OIG concluded that the unannounced adjudication audit program is not achieving its primary objective of preventing and detecting malfeasance.

Africa

Inspection of Embassy Freetown, Sierra Leone (ISP-I-02-22)

The country of Sierra Leone caught the world's attention in the late 1990s when a bloody civil war threatened the stability of the region and resulted in the largest UN peacekeeping operation in recent history. Embassy Freetown was evacuated three

times in four years. During this period the embassy maintained an active presence in Sierra Leone on behalf of the U.S. government, supporting the UN peacekeeping operation and working with the British effort that finally succeeded in putting an end to the hostilities.

The embassy is under the Department's Special Embassy Program, and it should remain small. Current staffing calls for around 14 Americans. However, successive evacuations and chronic understaffing have devastated the embassy's administrative and consular operations. The Department needs to send temporary-duty teams to normalize these operations so that permanently assigned staff can continue them more effectively. The FSNs conducted themselves with dignity, integrity, and professionalism during periods of high stress and threats to their personal safety.

The embassy has been understaffed for several years, forcing executive management to devote time to operational matters at the expense of overall management and supervision. The Department needs to ensure that the vacant positions are promptly and adequately staffed.

Inspection of Embassy Monrovia, Liberia (ISP-I-02-23)

U.S. relations with the Liberian regime of President Charles Taylor are strained and likely to remain so for some time. However, the United States has long-term interests in Liberia that justify a continued official presence and active efforts to promote democracy and improved bilateral relations.

The U.S. Embassy in Monrovia has engaged actively with the Liberian government, the private sector, and the public on U.S. policy issues. However, its efforts are constrained by host government hostility. In spite of some responsiveness from the government in the wake of the September 11 terrorist attacks, the security situation for the embassy and private Americans in Monrovia remains precarious.

Security concerns and political obstacles on official U.S. activity in Liberia should keep Embassy Monrovia limited to fewer than 31 Americans for the foreseeable future. The embassy has experienced serious staffing gaps over the last several years, and the Department needs to fill vacant positions, giving priority to the public affairs and consular positions. Embassy Monrovia provides full consular services.

This is too much of a burden for one consular officer. The Department needs either to reinstate the vice consul position eliminated this summer or to reduce significantly the range of consular services provided at the embassy.

Embassy Monrovia has unique property assets that provide more capacity than is needed at the present with bilateral relations constrained. However, the OIG recommends against disposing of any property at this time. The property is a valuable future resource, and, during this period of uncertain circumstances, it provides a secure base and essential services that are not otherwise available. The OIG urged that the Department and the embassy undertake a new design study of the main compound and examine ways that a subsidiary compound might be effectively used to defray expenses and promote U.S. policy objectives until more extensive U.S. government operations resume.

Inspection of Embassy Praia, Cape Verde (ISP-I-02-29)

Cape Verde is a small island nation with a deficit economy dependent on remittances from the United States, where over half of the Cape Verdean population resides. Embassy Praia provides consular services and seeks meaningful ways to expand the very limited bilateral relationship, particularly by building on the island's role as a mid-Atlantic refueling stop and on ties with its U.S.-resident population.

The four Americans assigned to Embassy Praia find that simply supporting an embassy and an active consular operation leaves few resources for other endeavors. The embassy's greatest need is for full-time supervision of its administrative operations, which should be provided by the deputy chief of mission. Management controls are generally in place but need strengthening in some areas. Regional support from Embassy Dakar is excellent.

Inspection of Embassy Banjul, The Gambia (ISP-I-02-30)

With no immediate U.S. interest present in The Gambia and with an inauspicious environment for an effective dialogue with the host government, Embassy Banjul should have as its goal raising the public profile of the United States through public diplomacy in ways that would highlight the significant assistance the United States is providing to the people of The Gambia. Current embassy resources are sufficient for this purpose. Reporting on internal developments is more than adequate, but more could be done on other matters of interest to Washington readers like The Gambia's role in regional problems.

Embassy Banjul must contend with deterioration in The Gambia's basic infrastructure, spending a significant amount of time and energy generating electricity and air conditioning and maintaining vehicles. As in other embassies in the region, the number of American staff is small. Staff should be assigned taking into account experience and professional expertise, especially with respect to consular and administrative affairs.

Embassy Banjul has improved its security posture significantly since the establishment of a RSO position in 1999.

Inspection of Embassy Nouakchott, Mauritania (ISP-I-02-31)

Embassy Nouakchott has built a promising relationship with the government of the Islamic Republic of Mauritania by developing and promoting humanitarian, social, and antipoverty programs, which, though, small are well focused. This beginning offers the promise of a broader relationship, including a more significant role for Mauritania in the U.S.-led coalition against terrorism.

Despite the adversities and frustrations inherent in a small, remote hardship post, including curtailments and staffing gaps, Embassy Nouakchott is well led and well administered. The human, financial, and physical resources committed to

Nouakchott are appropriate and sufficient, except in the area of facilities maintenance. This deficiency should be addressed by the assignment of experienced general services or facilities maintenance personnel.

Intermittent supervision caused by staffing gaps has led to significant problems with respect to inventory controls and financial management. The embassy is now addressing these problems. Past security programs suffered from a lack of supervision. Embassy security has improved rapidly and significantly following the establishment of a RSO position in 1999.

Europe

Inspection of Embassy Vatican, Vatican City (ISP-1-02-14)

Embassy Vatican deals diplomatically with the world's smallest city-state, whose leader, the Pope, exercises immense influence throughout the world, often affecting U.S. policy objectives. The Vatican and the United States share concern for the Balkans, the Middle East, Africa, and for international human rights, population and UN social issues. The papacy also follows closely and speaks publicly on important issues such as the war in Afghanistan and terrorism.

Embassy Vatican's priority goal is maintaining a constructive relationship with the Vatican leadership and effectively advocating U.S. policy positions. Embassy Vatican has extensive reporting and representational responsibilities. However, its public diplomacy and its analytical reporting activities seem less focused and would benefit from a more structured approach. Embassy Vatican's efforts to promote U.S. commercial interests are laudable, but the recent Independence Day event was lavish and some fundraising for social events was inappropriate.

Embassy Vatican relies on Embassy Rome for administrative, security, and public affairs support. Embassy Vatican handles its own procurement, motor pool, maintenance and gardening, and management controls are adequate. This division of administrative services between the two missions works well.

Inspection of the U.S. Mission to the UN Agencies for Food and Agriculture in Rome (ISP-I-02-16)

The U.S. Mission to the UN Agencies for Food and Agriculture (FODAG) is a small, busy, well-integrated interagency operation managing a diverse portfolio of significant programmatic and policy issues, engaging principally two major international agencies, the Food and Agriculture Organization (FAO) and the World Food Program (WFP). The United States remains the largest contributor to both organizations with \$73 million annually to FAO and \$1 billion to WFP in 2001. WFP, in contrast to FAO, has the flexibility to deal with crisis issues that may be of direct importance to U.S. policy goals, such as the oil for food program for Iraq, famine assistance for North Korea, and humanitarian assistance for Afghanistan.

The mission does a solid job of defending United States interests and displays a high degree of interagency coordination, cooperation and collegiality. A new chief of mission was nominated in October, 2001. In the past, the decision to confer the rank of ambassador on the chief of mission has been an ad hoc one. It is an appropriate time to assess whether the mission should be headed by an ambassador on a permanent basis.

Embassy Rome provides the mission with almost all of its administrative support. The most serious management/resource issue facing the mission is the pressing need to find a new location for the mission offices.

Inspection of Tallinn, Estonia (ISP-1-02-25)

The security of northern Europe is affected by stability in the Baltic region. So U.S. national security interests are served by current U.S.-Estonian cooperation to build an Estonian national defense closely linked to North Atlantic Treaty Organization (NATO) and an economy tied to the European Union (EU). Estonia's efforts to build a democratic state aligned with the EU coincide with the U.S. national interest of promoting democracy globally.

Membership in European institutions requires that Estonia be a functioning democratic state, which meets the democratic community's human rights/civil

liberties standards. The embassy is helping Estonia deal with social equality issues through a variety of assistance programs such as training unemployed non-Estonians and supporting a local law center that provides legal training.

The embassy operates in a friendly environment and is well positioned to build strong working relationships with government and public leaders. Embassy resources include a staff of 33 Americans, a military assistance program of close to \$6 million, about \$200,000 in Democracy Commission funds, and total funding of \$11.5 million.

The Mission Performance Plan (MPP) has clear, realistic objectives, and reflects embassy-wide coordination. Operationally, however, the embassy needs to improve interagency cooperation, especially in the sharing of sensitive information. The public affairs section carefully manages the public diplomacy grants program. But overall management of the entire assistance program has been fragmented, and the embassy is making an effort to coordinate and track the grants program from the development of proposals through to the awarding of a grant. In addition, reporting needs to be tightened, eliminating marginal reports. The administrative section functions well, with good communications and coordination. The major administrative challenge is to restructure nonexpendable property management and establish a more effective work order system. With cooperation from the Estonian government, the embassy tightened perimeter security after the September 11 terrorist attacks.

Joint U.S. and Estonian law enforcement organizations work together effectively to combat transnational crime by helping reduce trafficking in women, fighting the drug trade, and addressing a difficult money laundering problem.

Inspection of Embassy Vilnius, Lithuania (ISP-1-02-26)

Embassy Vilnius identified as important objectives the promotion of Lithuania's integration into European security, political, and economic institutions and the further development of democracy and a market economy in Lithuania. After centuries of foreign domination, Lithuania experienced only a short period of independence between the World Wars, then regained it in 1991, with the collapse of the Soviet Union.

Embassy leadership uses public diplomacy extensively to promote U.S. policy and interests. Washington analysts praise the embassy's reporting for its intellectual honesty and analytic insight. In the area of military cooperation, the United States supports Lithuania's efforts to join NATO. A steady stream of senior U.S. military visitors engage with their Lithuanian counterparts, and the defense attaché office drafts some of the embassy's best reporting.

Based on future workload, the embassy thinks it can make a good case for additional political, consular, military, public diplomacy, administrative, and security staff. If and when Lithuania joins NATO and the EU, current staffing will be unable to cope with the added political, military and economic requirements.

The embassy's current facilities limit expansion. Security, safety, and working considerations argue for action on real property improvements, as recommended in this and a previous report. The embassy now has a plan that would consolidate all embassy operations around the present chancery. A scheduled visit by a Department space utilization and design team will help in developing the embassy's proposal.

Inspection of Embassy Riga, Latvia (ISP-I-02-24)

The United States and Latvia share an overarching goal: to anchor Latvia securely in the community of democracies. Latvia has made progress in achieving its goal of becoming a fully functioning democracy, while its economic transformation has proceeded faster and further than that of many other former Soviet republics.

In general, Latvians respect and admire the United States, and the embassy's working environment is good. The embassy has a staff of 34 Americans and a program budget of around \$12 million. Approximately 1,000 private American citizens live in Latvia.

The embassy's MPP is a straightforward blueprint for coordinated action across agency lines. It makes an important contribution to redefining the evolving bilateral relationship as Latvia approaches membership in NATO and the EU. The embassy has an effective public diplomacy program, properly geared to rule of law issues, development of democracy, and transparent free market practices, despite a relatively small public affairs section with modest resources. Reporting is thorough and

tied closely to U.S. interests. The consular section scores high for good customer service and for instituting several consular “best practices” in 2000 and 2001. The administrative section functions well, with good communications and coordination, both within the section and throughout the embassy.

The embassy enjoys good morale. FSN morale is particularly good because of embassy management’s insistence that Latvian employees be treated as respected colleagues.

The embassy’s law enforcement working group meets regularly to emphasize the importance of interagency reporting on known and suspected terrorists and to provide guidance for submitting names to Washington. In the two months before the inspection, the embassy relayed information on 29 individuals through the Visas Viper channel.

Inspection of Embassy Minsk, Belarus (ISP-I-02-27)

Embassy Minsk spent an exhausting year trying to encourage free elections in Belarus. The Organization for Security and Cooperation in Europe was a steadfast ally in an effort to unify the democratic opposition, encourage an independent press, and foster a free and fair democratic process. In the end, the September 2001 election was not free, but the opposition won at least 40 percent of the vote, an astounding result in an authoritarian country. In the wake of this election, it is clear that Belarus has further regressed with respect to democratization. The Belarusian regime is not only authoritarian but would like to turn back the clock and rejoin Russia.

With the election over, the embassy is reassessing policy within the framework of the MPP. Promoting democracy and human rights will remain the highest priority. The Belarus regime’s disregard for democratic values is exemplified further by trafficking in arms to states such as Iraq, Libya, and Iran.

The embassy utilizes public diplomacy to communicate with the Belarusian public. A hostile Belarusian security apparatus, which actively seeks to undermine U.S. government initiatives, has precluded cooperation between U.S. law enforcement agencies and their Belarusian counterparts. There is virtually no cooperation between Belarus and the U.S. government on issues such as the drug trade, traffick-

ing in persons, and computer credit card fraud. The embassy limited its pre-election reporting in favor of a strong advocacy program to promote civil society and democracy building. Nevertheless, Washington analysts praised much of the reporting, especially that from the economic section and the defense attaché.

Given the hostile political, security, and intelligence environment, the Department should assign more experienced personnel to Minsk and limit the assignment of first-tour officers who are now a significant portion of the staff and often inadequately briefed for such a difficult tour of duty.

The embassy is alarmingly overcrowded and in need of major renovation.

Inspection of Embassy Valletta, Malta (ISP-I-02-15)

Bilateral relations between the United States and Malta are good. Given the island's strategic location, security/defense related issues dominate the relationship, ranging from the transit of weapons of mass destruction materials to some 40 U.S. Navy ship visits annually. Embassy Valletta actively promotes U.S. trade and investment. The embassy effectively uses public diplomacy as an essential tool across the spectrum of U.S. interests.

New embassy managers have achieved in an admirably short time a high degree of internal cohesion in a mission formerly divided by conflicts within the embassy's leadership.

The chancery is inadequate to the needs of the mission. The Department and the embassy should identify alternatives for relocating the chancery on a priority basis. The RSO has performed well. Overall, administrative services are adequate, and the budget and fiscal unit is well run. However, there are a number of problem areas in the administrative section which require attention, and, in the case of information management, Department assistance. These include weaknesses in inventory controls, inadequate oversight of the American Employees Association, and the need to strengthen FSN personnel management. There are residual problem areas in the consular section, which are being addressed. Throughout the mission, priority attention needs to be given to professional training for FSNs.

Western Hemisphere

Inspection of Embassy Nassau, Bahamas (ISP-I-02-01)

Reflecting U.S. interests in The Bahamas, the embassy's MPP emphasizes counternarcotics, border security, and law enforcement issues. Virtually all federal agencies, dealing with these issues, are accredited to The Bahamas. The embassy's chargé effectively coordinates the efforts of these agencies.

The mission's efforts are directed to strengthening already good bilateral relations with the current Bahamian government. The embassy worked closely with the Bahamian government in changing its financial controls and monitoring of money laundering, which subsequently permitted the G-7 to remove The Bahamas from the list of non-cooperating countries.

Consular services in Nassau are important, with three million Americans visiting The Bahamas annually. The consular section is well managed.

Morale at the embassy is low in large part because some staff believe that administrative services are not customer service-oriented and that, as a result, services are unevenly or unfairly distributed. In addition, the fact that the embassy is located in three different facilities makes achieving a sense of community a challenge.

Inspection of Embassy San Jose, Costa Rica (ISP-I-02-04)

The good relations between the United States and Costa Rica are based on shared values and the latter's commitment to effective, democratic governance. A strong, effective leadership that has encourages creativity, and interagency collegiality characterizes embassy operations.

Though third on its list of MPP priorities, counternarcotics programs and oversight consume more embassy resources than any other single function. The mission's operational and infrastructure programs in this sector are well coordinated,

but are less than totally effective because of factors that are beyond the embassy's control. They include lack of a regional strategy and poor intra-regional coordination.

A large resident population of American citizens and visits by hundreds of thousands more each year also dominate embassy attention. Though well managed and customer-oriented, the section suffers from inadequate work space. Political-economic section benefits from inspired leadership and produces good economic reporting, but the section should reduce the frequency of its self-generated macro-economic review.

The United States Information Service (USIS) consolidation took place smoothly, and public affairs support to embassy activities is said by its recipients to be generous and effective. However, the process is not complete. The former USIS reproduction center should be merged with the embassy printing operation, and the embryonic information resource center should, like the commercial library and the environmental information center, be made part of a single mission reference center. The regional English-language position should be moved to another, Central American country on departure of the incumbent where the need is greater.

Administration is good; financial and information management is outstanding. Management controls are in place, but they did not prevent a serious vulnerability from developing with regard to the employee association.

Inspection of Embassy Guatemala City, Guatemala (ISP-I-02-05)

Embassy Guatemala City works in a complex and conflictive environment. Aiming over the long term to eradicate the political and social causes of a 36-year civil war that ended in 1996, and, in the short term, to combat large-scale drug and alien smuggling, the embassy adheres to a focused and operational MPP.

Embassy operations benefit from the fact that the U.S. and Guatemalan agendas coincide. On the other hand, they are hampered by the Guatemalan government's identification with corrupt practices and by its failure to maintain momentum in implementing the peace accords that ended the civil war. Declining U.S. aid levels and limited Washington interest in Guatemala further complicate the embassy's task. Morale is as good as it can be given problems like crime, threat of earthquake, and latent political instability.

Mission leadership is strong and purposeful. Interagency relations are for the most part good, but the U.S. military presence, a vestige of the civil war period, remains sizeable. Core functions are performed well, with the consular affairs workload mushrooming in size and complexity. The embassy's large-scale anti-narcotics operation would benefit from more cooperation among the U.S. embassies in the region and from a strategic plan involving all Central American countries. Much of the narcotics that move northwards through Guatemala each year are not intercepted.

Overall, administrative operations are satisfactory, but some weak spots exist due principally to inexperience, personnel shortages and poor budgeting. Management controls are in place and functioning well, but there is a serious vulnerability in accounting for consular receipts.

Inspection of Embassy Tegucigalpa, Honduras (ISP-I-02-06)

A poor country in the process of transition, Honduras presents a complicated policy challenge to the United States in the form of diverse law enforcement threats to U.S. security. To combat them the embassy combines a wide range of institution-building programs with joint U.S.-Honduran law enforcement operations. Efforts to promote a rule of law that will improve Honduras' ability to deal with these law enforcement issues, consume more of the mission's resources than any other single function, but these efforts are not clearly articulated in the MPP.

Embassy Tegucigalpa is well led. Interagency cooperation, including the Southern Command's air facility at Soto Cano, the largest in the region, is also good.

Economic and consular affairs bear a large share of the embassy's anticrime burden. However, the political section, with its traditional reporting, does not appear to be consistent with embassy priorities and operations. The public diplomacy consolidation was effected smoothly.

As is true with other embassy assets, resources are well managed. A sizeable mission, with 268 Americans and FSNs (excluding USAID contractors) from 22 agencies, the embassy has requested additional positions, only some of which OIG considers justified. A decline in personnel when Hurricane Mitch assistance funds run out will be offset by anticipated increases in law enforcement agencies.

Inspection of Embassy Kingston, Jamaica (ISP-I-02-02)

Embassy Kingston successfully coordinates the efforts of the federal agencies, accredited to Jamaica, with programs dealing with counternarcotics and law enforcement. The embassy should enhance its reporting and analysis of developments that are likely to affect Jamaica's ability to offer meaningful cooperation in counternarcotics and law enforcement.

Two major problems relating to the Bureau of International Narcotics and Law Enforcement Affairs activities need to be resolved. First, a large pipeline of unexpended program funds should be reviewed and either used by the Jamaican government or withdrawn. Second, the embassy has been unable to provide verification of or account for much of the counternarcotics equipment given to the Jamaican government over the years.

The U.S. government acquired a hotel complex in Kingston for use as a chancery and clustered housing. However, the Jamaican government has not given any assurances that it would approve the use of the complex as a chancery. In addition, the embassy has not received funding needed to maintain and renovate the complex, and the complex has started to deteriorate. OIG recommended that the Department develop a long-range plan to renovate the complex and provide funding for additional staff or assign a facilities management specialist to monitor and maintain it.

American morale is low because of the rising crime rate and high cost of living. The embassy has a high incidence of curtailments by staff and difficulty recruiting people for vacancies. The chargé is leading an effort to address the morale problems.

The Department had not yet funded the buy-back costs associated with the embassy's supplemental retirement plan for FSNs. OIG recommended that the Department provide the funding.

Embassy Bridgetown, Barbados (ISP-I-02-03)

U.S. interests in the seven small Eastern Caribbean countries to which the mission in Barbados is accredited focus largely on counternarcotics and law enforcement matters. Embassy management is doing a creditable job in coordinating the efforts

of the federal agencies with programs dealing with these issues. However, coordination of the economic and political reporting function could be improved.

With the exception of the counternarcotics and law enforcement functions, the embassy believes that it is seriously underfunded. The understaffed consular section strives to manage its daunting workload, but lack of funds is affecting its ability to carry out its mission. As a result, it must limit routine work. This makes consular outreach, reporting, training, and travel to outlying islands to provide services difficult. In addition, the physical plant is in serious disrepair. To bring the embassy up to a satisfactory level of maintenance and upkeep of physical structures, additional funds will be needed.

Relations between the missions in Barbados and Grenada have been cordial and productive. However, it would be useful to clarify in writing the exact relationship between the two missions with respect to reporting and administrative matters.

A fully integrated reporting program would assist the mission in managing its human and financial resources. At present, travel and reporting are not as coordinated or carefully planned as they might be.

Morale is mixed at best, with many commenting on a perceived lack of cohesion. The mission has made efforts to improve the quality of life; however, more needs to be done to give employees a greater sense of community.

Compliance Follow-up Review of the Inspection of Embassy Panama City, Panama (ISP-C-02-20)

Embassy Panama City and the Department have done a good job of addressing the concerns raised by the inspection report (ISP/I-01-02). The embassy agreed with and promptly acted upon most of the recommendations. On others, primarily involving American position reductions in the political/economic and public affairs sections, the post convinced OIG that, in fact, the positions were needed.

Several recommendations were reissued or modified. The most significant was the call for a new chancery compound to replace the present insecure, inefficient chancery and annexes scattered around the city. The Department has responded positively, and is currently scheduled to begin the process of replacing the chancery compound in FY 2003. The CFR team devoted considerable attention to the antiterrorist recommendations for the embassy to “activate its Visas Viper Program

to require more effective information sharing.” The post made sufficient progress on this important recommendation for it to be closed. Similarly focused on U.S. border security, an earlier recommendation called for funding a part-time position to coordinate the post’s alien smuggling intelligence database. Although OIG previously closed this recommendation, the CFR team reissued it because the team and the Bureau of Consular Affairs feel that Panama is an important transient illegal alien choke point. To help combat this threat, OIG modified and reissued a recommendation dealing with alien smuggling intelligence coordination.

Inspection of Embassy Belize City, Belize (ISP-I-02-19)

The chancery and annexes at Embassy Belize City are unacceptable from a security standpoint, and the layout of the buildings is not conducive to efficient embassy operations. A new office compound has been recommended. Operationally, management controls in some administrative areas are weak and must be strengthened. There are significant deficiencies with respect to property management, certification of vouchers, and in the separation of duties.

The government of Belize has an active “investor” citizenship/passport program that allows people, primarily Chinese from the mainland and East Indians to

Halt of Investor Passport Program

During an October 2001 inspection of Embassy Belize City, OIG noted that the government of Belize had an active “investor citizenship/passport program” that allowed people to purchase a second Belizean passport for \$25,000. Some of these Belizean passports were being used by people, primarily from China and India who would otherwise be inadmissible, to enter the United States illegally. Bearing Belizean passports, two Lebanese nationals, who were alleged members of a known Middle Eastern terrorist organization, applied for U.S. visas during the inspection. OIG formally recommended that the embassy take immediate action to persuade the government of Belize to end its investor passport program. During the ensuing weeks, the embassy’s front office broached the issue with the Belizean prime minister and other cabinet level officials, citing Washington’s concern about this controversial program. On January 15, 2002, amendments to Belize’s constitution finally ended the program.

purchase a second Belizean passport. Inadmissible aliens, including terrorists, can use these second passports to enter the United States. The report recommended that the embassy make the prompt elimination of this program a priority goal, and the program has been terminated.

East Asia and Pacific

Inspection of Koror, Palau (ISP-I-02-08)

Koror, Palau, is a former UN Trust Territory administered by the United States. A “Compact of Free Association” commits the United States to establishing full diplomatic relations and providing significant levels of development assistance. It also grants citizens of Palau the right to travel to and reside in the United States without a visa. The United States provides for Palau’s defense and security needs. Palau has a strong record of support for U.S. positions in the UN General Assembly.

The U.S. Ambassador to the Philippines is formally accredited to Palau, but a chargé d’affaires is resident in Koror and is the primary U.S. representative to the Palau government. Koror faces critical infrastructure needs. The former chancery is structurally unsafe and has been evacuated. Embassy personnel are working out of the former chargé’s residence. Koror also needs additional regional administrative support. More frequent visits from Embassy Manila or an alternative regional support facility are essential to provide the embassy with necessary professional expertise.

Inspection of Embassy Majuro, Marshall Islands (ISP-I-02-10)

The Republic of the Marshall Islands is a former UN trust territory administered by the United States. A “Compact of Free Association” commits the United States to establishing full diplomatic relations and providing significant levels of development assistance. It also grants citizens of the Marshall Islands the right to travel to and reside in the United States without a visa. The United States provides for the Marshall Islands’ defense and security needs. The Republic of the Marshall Islands has a strong record of support for U.S. positions in the UN General Assembly.

The “Compact of Free Association” with Majuro expired in 2001. A two-year grace period ensures that it will remain in effect until negotiations for a new compact are completed. Negotiations have been underway for some time now. Congress must ratify a renegotiated compact by the end of that grace period or terms of the present compact will lapse.

The Marshall Islands are home to the U.S. military’s Reagan Test Site, located on Kwajalein atoll, where over 2,400 Americans and 1,500 Marshallese are employed. The Reagan Test Site is currently the only U.S. missile range that tests the “bullet-hits-the-bullet” missile defense system. The embassy has identified support for the Kwajalein base as its top mission priority. Relations between the base and the embassy are good.

Majuro has a long history of staffing gaps and curtailments that have resulted in administrative and management control problems. The Ambassador has been proactive in addressing these issues. Improved regional support is key to resolving mission problems.

Embassy Kolonia, Federated States of Micronesia (ISP-I-02-09)

Kolonia, Micronesia, is a former UN trust territory administered by the United States. A “Compact of Free Association” commits the United States to establishing full diplomatic relations and providing significant levels of development assistance. It also grants citizens of Micronesia the right to travel to and reside in the United States without a visa. The United States provides Micronesia’s defense and security needs. Micronesia has a strong record of support for U.S. positions in the UN General Assembly.

The “Compact of Free Association” with Kolonia expired in 2001. A two-year grace period ensures that it will remain in effect until negotiations for a new compact are completed. Negotiations have been underway for some time now. Congress must ratify a renegotiated compact by the end of that grace period or terms of the present compact will lapse.

Embassy Kolonia is likely to lose its chancery within five years as its foundation continues to erode. Work must begin now to identify potential new locations. Locally hired American citizens provide the bulk of the embassy’s administrative support. Appropriate regional offices must do a better job of supporting the Kolonia team in both administrative and security matters.

Embassy Suva, Republic of Fiji (ISP-I-02-11)

The U.S. Embassy in Suva is accredited to Fiji, Tonga, Tuvalu, and Nauru. It has consular and commercial responsibilities in French Polynesia, New Caledonia, and the Wallis and Futuna Islands. Embassy Suva also represents the U.S. Commander-in-Chief for the Pacific Region in all these areas. All four of the states to which Embassy Suva is accredited are full voting members of the UN General Assembly.

Fiji gained its independence in 1970 after nearly a century of British control. It is by far the largest and politically most complex of the states Embassy Suva serves. In May 2000, a group of indigenous Fijians attempted a coup against the prime minister. They held the prime minister and other members of parliament hostage for 56 days. During the crisis, civil unrest broke out, and security forces illegally seized power. In July 2000, the security forces stepped down. Elections in August 2001 resulted in a narrow victory for an indigenous Fijian party. The new prime minister has prolonged the political crisis by refusing to accept opposition politicians into his cabinet, as required by the constitution.

Support for a return to democracy and constitutional rule in Fiji is Embassy Suva's top mission priority. The Ambassador, who departed in June, 2000, and the chargé d'affaires enjoyed full access to senior government officials throughout the months of political crisis.

Over 100,000 American tourists visited Embassy Suva's consular district annually in recent years. An additional several thousand American citizens live throughout the islands. In light of recent political and social instability in Fiji, American citizens services and emergency preparedness have taken on added importance.

Promoting U.S. national security interests in the region is another major priority. Fiji has long been actively involved in international peacekeeping efforts. Twenty-five percent of the Fiji military is on active duty in the Sinai and in Lebanon at any given time. The U.S. military continues to maintain a defense attaché office at the embassy.

The Peace Corps has approximately 50 volunteers on the island of Tonga. The small island nation of Nauru has become a major center for international money laundering and has been singled out as a non-cooperating country by the G-7. Embassy Suva is actively involved in U.S. bilateral efforts to address the situation.

Embassy Suva is under the Special Embassy Program. Department staffing includes 11 direct hire positions.

Best Practices

Embassy Riga – Best Practice: Training Plan

Embassy Riga needed a way to link training needs with Mission Performance Plan goals and the resources available to fund courses and travel. To accomplish this, the embassy developed a system to survey the training needs of all Department personnel. This data is maintained in a priority listing of training scheduled, including dates of courses and necessary funding for tuition and travel. The system has become a useful tool that allows embassy management to ensure that training needs are met, resources are available for training, and the training promotes the embassy's goals.

Embassy Tallinn – Best Practice: Contracting Local Hire Administrative Assistants

In order to maintain a cadre of trained support staff to cover temporary increases in workload or provide backup in the absence of full-time employees, Embassy Tallinn maintains four to six administrative assistant positions to be available as needed on an intermittent basis. The embassy performs background checks on qualified adult family members of FSN or personal services agreement full-time staff. Because the family members have good administrative skills and work only when needed, the cost is low and does not have a major effect on the budget. The short on-the-job training given to these employees is also inexpensive. The embassy does not allow members of the same family to work together. As a result, the embassy has a readily available workforce of administrative assistants to work as receptionists, perform consular data entry, help with special projects, and escort visitors or workmen in the chancery. As an added benefit, local staff family members gain work experience.

Embassy Vilnius – Best Practice: Tracking U.S. Government Assistance

Embassy Vilnius wished to track the complex array of bilateral, regional, and Washington-funded programs administered by the embassy, the U.S. Agency for International Development (USAID), several U.S. Cabinet agencies, and a variety of nongovernmental organizations. The Ambassador asked a USAID FSN to draw up a list of all assistance programs. Country team members were required to provide the input. The resulting display of what the United States does in Lithuania has proven an invaluable briefing document. The document has been a particularly effective way to show how taxpayer funds are spent.

Best Practice: Administrative Information on the Desktop

In an effort to better distribute administrative procedures and provide contact information for various administrative services, all administrative policies and procedures for Embassy Vilnius are published on the embassy's Intranet site on an administrative page, available on every employee's desktop for easy reference. The web site includes photos of staff by section within the administrative office and a description of duties. All employees are aware of administrative policies and procedures and know whom to contact for service.

Embassy Port Moresby, Papua New Guinea (ISP-I-02-12)

Embassy Port Moresby is accredited to three countries: Papua New Guinea, Vanuatu, and the Solomon Islands. The U.S. presence in the region during World War II forged a legacy of cooperation that is remembered to the present day.

Serious political, social, and economic problems threaten effective governance in each of these states, particularly in the Solomon Islands. The high rate of violent crime in Papua New Guinea is both a domestic and a bilateral issue. The Peace Corps closed its Papua New Guinea operations in 2001 due to concerns about the safety of volunteers. The only remaining Peace Corps presence in the region is in Vanuatu, where some 40 volunteers live and work.

The Ambassador has effectively used the MPP process to review embassy goals and objectives. Embassy Port Moresby has identified security of Americans as its highest priority. Nearly 2,500 Americans live and work in Papua New Guinea, Vanuatu, and the Solomon Islands. The embassy has developed a widespread warden network to keep Americans informed of security problems. The OIG has recommended that the embassy ask CA to designate an experienced consular officer to serve as a regional consular officer for Port Moresby.

Promoting democracy and human rights is Embassy Port Moresby's second highest priority. It will take on added importance as Papua New Guinea conducts parliamentary elections in 2002. Developing greater bilateral contacts and promoting economic development round out MPP priorities.

A combination of local security concerns and budget cutting in Washington has resulted in a considerable reduction in the U.S. presence in Port Moresby over the past six years. As noted above, Peace Corps has closed its operation. USAID and USIS left Port Moresby in 1994 and 1996, respectively. In the same period, the Defense Department closed its resident defense attaché office.

Limited access to senior Papua New Guinea officials has also been a serious constraint on relations. This situation has changed, however, and the Ambassador now meets regularly with senior policy makers, up to and including the Prime Minister and cabinet officials. Port Moresby is under the Special Embassy Program. There are nine direct-hire Americans.

AUDITS

OIG Review of the Overseas Explosive Detection Program (AUD/PPA-02-08)

In response to a January 2001, congressional request, the OIG reviewed certain aspects of the overseas explosive detection program. The objectives of the review were to address concerns about possible irregularities in the procurement process and alleged false positives in the use of explosive detection equipment. Also, the OIG reviewed DS' management controls in operating, maintaining, and accounting for explosive detection equipment.

The principal findings were: (1) the procurement of explosive detection equipment was in accordance with federal regulations; (2) explosive detection equipment operated without false positive readings and had not experienced any significant downtime; and (3) management controls were adequate, although program improvements and efficiencies could be implemented concerning maintenance of equipment and property management.

Information Technology Vulnerability Assessment for the Central Financial Management System (AUD/FM-02-15)

The GMRA requires that the Department's principal financial statements be audited annually. Audits of the principal financial statements require, among other things, assessing the adequacy of the internal control process for recording, accumulating, and reporting financial data. This, in turn, requires an assessment of the security of the automated systems that process financial data. At the OIG's direction, independent external computer specialists performed a vulnerability assessment of the Central Financial Management System.

OIG found that the specific security features associated with the Central Financial Management System application appeared to function correctly and were well managed. Most of the vulnerabilities detected pertained to system configuration issues that could be corrected without affecting overall network performance or availability. Many of these issues were also noted during another vulnerability assessment, which suggests that similar problems may exist throughout the Department's information technology infrastructure.

Department of State Humanitarian Response Efforts for Women Refugees and Conflict Victims (AUD/PR-02-09)

OIG's review determined that progress in providing women with assistance in public health, food and nutrition and developing job skills has been made. However, reduced international donor support for food in Africa hampers refugee response efforts and programs. Continued attention is needed to integrate women's issues into international and nongovernmental regular or core programming and to develop international standards for addressing psychological social distress or health problems.

The Bureau of Population, Refugees, and Migration (PRM) has been at the forefront of promoting the integration of women's humanitarian needs into all aspects of programming. Performance monitoring and evaluation are done at the project or country level, but there is no systematic approach to reviewing overall progress toward meeting women's policy and program objectives. OIG recommended that an automated database for retrieving and analyzing project proposals, projects, and progress toward meeting policy and program objectives be on line by this year.

OIG found PRM-funded international organizations are generally less accountable in terms of performance than nongovernmental organizations. The inclusion of women's issues and activities into international organizations' core budgets is a goal shared by many in the humanitarian community. In the short term, PRM is funding some women's activities separately to ensure that their needs are being adequately met.

Women's initiatives and programs are diverse, ranging from services for the protection of victims of sexual violence to income-generating projects. OIG recommendations included that PRM establish: (1) performance objectives and perfor-

mance indicators, and an evaluation mechanism for mainstreamed sexual violence protection programs, (2) standards to measure performance in the area of psychological social distress, and (3) time frames for income-generating projects to demonstrate sustainability. OIG also recommended that PRM track the implementation of lessons learned and best practices by U.S.-funded international organizations.

Survey of Civil Service Leadership Training (AUD/PR-02-22)

OIG found that the Department has made significant progress in recognizing the importance of leadership training for Civil Service employees. Foremost among the Department's efforts are the Leadership Competencies Development Initiative (LCDI) developed by the Office of Civil Service Personnel (HR/CSP) and the School of Leadership and Management (LMS) training at the Foreign Service Institute (FSI). Almost all of the 91 employees OIG interviewed believed that the Department has taken positive steps in this area. However, despite various efforts by FSI to publicize leadership and management courses, 55 percent of the employees OIG interviewed said they were not aware of the LMS. Further, many of the employees who had signed up for the LCDI, and were counted as participants by HR/CSP, have not met basic program requirements, such as completing Individual Development Plans.

Review of Intragovernmental Receivables (AUD/FM-02-06)

This is the second of two OIG reviews of accounts receivable in the Department. The Department's accounts receivable consist of debts owed to the Department by the public and by other governmental agencies. This report is based on the review of debts owed the Department by other federal agencies (intragovernmental receivables) and completes OIG's review of accounts receivable. Accounts receivable totaled over \$128 million at the end of fiscal year 1999, of which \$93.8 million represented intragovernmental receivables.

The principal objectives of the review were to determine whether the Department properly accounts for and records intragovernmental receivables for financial

records and statements, whether adequate internal controls and management practices are in place over intragovernmental receivables, and whether performance measures relating to accounts receivables have been established and the data used for measurement valid.

OIG determined that the Department did not properly account for debt owed the Department by other agencies. As a result, accounts receivable were significantly overstated. In addition, there were insufficient controls over reimbursable agreements, collection processes, payment processing and recording, and the accounts receivable computer system. Further, the Domestic Accounts Receivable Tracking System did not produce a reliable aging schedule.

Major recommendations include establishing procedures to ensure that advance payments and cash sales for services provided to other agencies are properly accounted for and that offices share information better. OIG also recommended that an allowance for doubtful intragovernmental receivables should be included in the Department's audited financial statements. OIG made other suggestions to improve performance measurement as mandated by the Government Performance and Results Act of 1993.

Review of U.S. Support to the International Police Task Force in Bosnia (AUD/PPA-02-20)

In response to a congressional request, OIG reviewed the Department's program that supports the International Police Task Force (IPTF) in Bosnia. This review also included an evaluation of allegations that appeared in the media of misconduct by U.S. police offices serving with the United Nations (UN) in Bosnia.

In February 1996, the Department awarded a contract to DynCorp Aerospace Technology, Ltd. (DynCorp) to provide police officers in support of the IPTF mission in Bosnia. The main task of the IPTF was to bring the local police force up to European standards. IPTF has no executive authority, its members do not carry weapons, and they have no arrest powers. IPTF monitored, observed, and inspected law enforcement activities and facilities; advised and trained local law enforcement personnel; and assessed threats to the public order. A principal finding was that enhancements in recruiting, screening and training processes have improved the quality of officers serving in Bosnia. The process for selecting and training officers now appears thorough and complete. Interviews with 75 of the 101 officers serving

in Bosnia showed that they rated the recruiting and training process as good or very good. Another key finding determined that, since 1996, only about two percent of the over 900 officers who have served in Bosnia had to be dismissed; this percentage reflects the number of officers formally terminated for a variety of causes, including misconduct, AWOL, and insubordination. OIG also found that an additional 2.7 percent of officers had resigned while under review for similar conduct issues or had gone AWOL and never returned. No formal action had been taken to terminate those officers for cause. Finally, OIG concluded that, in general, contract administration was adequate; however, contract modifications were approved without adequate consideration for contract competition. The initial contract was for \$4.5 million, and it now totals over \$270 million as a result of adding other police operations in other countries. The Department should have considered issuing a new competitive procurement as the scope of the contract expanded.

Major recommendations include steps to strengthen contract administration and procedures and to draft a new contract that should be competitively advertised in 2002.

Foreign Service National Payroll (AUD/FM-02-24)

During the audit of FSN payroll, OIG found that overall the payroll system compensated FSNs in a reasonably accurate manner. However, OIG did identify concerns with the FSN payroll process and with its performance standards and measures.

For instance, OIG found that the three systems used to process FSN payroll were not integrated. OIG also found that the FSN payroll system was antiquated and did not meet the Department's needs. In addition, although the Department had developed a standardized personnel system, its use was not mandated. OIG also found that the performance standards and measures related to FSN payroll did not adhere to guidelines established by the Department.

Due to staff turnover and other office priorities, the audit was cancelled. OIG's findings to date were forwarded to the Department for its use in improving the FSN payroll process. OIG believes that these concerns could be resolved by developing and using an integrated personnel and payroll system.

Audit of the U.S. Department of State 2001 and 2000 Principal Financial Statements (AUD/FM-02-10)

The GMRA requires that the Department's Principal Financial Statements be audited. The objectives of the audit are to report on whether the financial statements fairly present the Department's financial position and results of financial operations in accordance with generally accepted accounting principles, to determine whether the Department had an internal control structure that provided reasonable assurance of achieving internal control objectives, and to determine whether the Department complied with applicable laws and regulations.

Under OIG's direction, an independent external auditor issued an unqualified opinion on the Department's 2001 and 2000 Principal Financial Statements. Although an unqualified opinion was issued, the report brings to management's attention concerns about security over the unclassified network and the Paris Accounting and Disbursing System; the inadequacy of internal controls over the management of undelivered orders; and the inadequacy of the Department's financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations.

Agreed-Upon Procedures Reports on Federal Intragovernmental Activity and Balances (AUD/FM-02-17), and Agreed-Upon Procedures Report on Federal Agencies' Centralized Trial Balance System (AUD/FM-02-18)

The Department of the Treasury (Treasury) annually prepares and submits to the President and the Congress an audited financial statement covering all executive agencies. Each agency is required to furnish certain financial and operational information to Treasury through the Federal Agencies' Centralized Trial-Balance System (FACTS). Agencies must reconcile and confirm intragovernmental balances with their trading partners and ensure these balances agree with FACTS reporting and audited financial statements before submitting year-end data to Treasury.

Under OIG's direction, a contract auditor performed required procedures solely to assist Treasury, the General Accounting Office, and the Office of Management and Budget with accounting for and eliminating intragovernmental activity and balances in the preparation of agency and government-wide financial statements and reports. The auditor reviewed the Department's preliminary and final CFO Representations for Federal Intragovernmental Activity and Balances; compared reconciliation amounts to supporting documentation; and traced the adjustments, if any, to supporting documentation.

With the exception of Accounts Receivable, Accounts Payable, Earned Revenue, and Transfers-In, the auditor found only minimal differences in amounts that were not material to the Department's financial statements. However, the auditor was unable to make the necessary comparisons with respect to the items listed above because the Department was unable to confirm the balances with its trading partners. In addition, the auditor disagreed with the CFO's responses for these categories because the auditor did not believe that sending confirmations constituted completing reconciliations.

The audits also evaluated management's assertion that it compared the Summarized FACTS Data to the related information in the agency's consolidated financial statements as of and for the year ended September 30, 2001. The auditor determined that there were no material differences between the FACTS data and the agency's financial statements.

Other Financial Statement Audits

OIG audited the International Boundary and Water Commission's (IBWC) financial statements as of September 30, 2000 (AUD/FM-02-05); Audit of the International Cooperative Administrative Support Services' 2000 and 1999 Financial Statements (AUD/FM-02-26); and Foreign Service Retirement And Disability Fund Financial Statements For FY 2001 (AUD/FM-02-19). The IBWC is charged by a series of treaties between the governments of the United States and Mexico with the application, regulation, and the resolution of water and boundary problems along the United States and Mexico boundary. For FY 2000, IBWC reported assets of \$376 million.

OIG issued an unqualified opinion on all three financial statements. Although unqualified opinions were issued, the first two reports bring to management's attention certain internal control weaknesses. The audits did not identify any instances of noncompliance with laws and regulations that were considered necessary for disclosure.

Review of Invoices Submitted by a Contractor Under Selected Contractual Agreements (AUD/CG-02-16)

OIG conducted a review of invoices submitted for services provided by two contractors to determine whether costs claimed by the contractors were reasonable, allocable, and allowable, and whether the Department made duplicate payments for services provided on agreements with overlapping performance periods. OIG found that:

- The Bureau of Human Resources, Executive Office (HR/EX), approved and the Bureau of Resource Management, Payments Division (RM/F/DFS/FO/PD), paid invoices that were not allowable or allocable to the agreements. For example, the Department paid the contractors for services outside the performance period, for general administrative fees and other fees that were not authorized in the contractual agreement, and for services provided by associates that were not authorized. As a result, OIG questioned \$113,604 of \$392,480 that the Department had paid to the contractors.
- As of January 18, 2002, one contractor had submitted an additional eight invoices, totaling \$139,445, that the Department had not paid either because of insufficient funding or because the invoices covered work performed outside the performance periods of the applicable agreements. These unpaid invoices are considered unauthorized commitments.
- The Department paid an hourly rate for one contractor's services without determining whether it was fair or reasonable. Because consulting rates may vary significantly, it is important to survey at least two or more sources prior to establishing a sole source contract rate. We found no documentation showing that the contracting officer conducted such a survey. As a result, we could not determine whether the established rate was fair and reasonable.

The Department awarded firm fixed price contracts to obtain one contractor's services, even though, for some tasks there were no specific contract deliverables. There is no requirement under a firm fixed price contract for the contractor to submit invoices showing detailed task descriptions or daily time charges, or to maintain such records. As a result, OIG could not determine whether any duplicate payments were made for the same or similar work provided by the overlapping contract performance periods, or whether the contractor's charges were properly allocated to the contracts.

OIG recommended that the contracting officer forward the invoices with questionable costs to the procurement executive for a decision on whether the unauthorized commitments should be ratified and require the contractor to reimburse the Department for the unallowable costs already paid. In addition, the contracting officer should determine whether a fixed price contract is appropriate for future services provided by the contractor, and should conduct a survey to determine the reasonableness of the contractor's rates before any new awards are made.

Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report Submitted to the Office of Personnel Management (AUD/FM-02-07)

Under OIG's direction, a contract auditor performed required procedures solely to assist the Office of Personnel Management in assessing the reasonableness of Retirement, Health Benefits, and Life Insurance withholdings/ contributions, as well as semiannual headcount information submitted by the Department. No material differences were noted. However, the auditor identified several instances in which the Department did not have required forms on file to support employee health benefits and life insurance elections.

Independent Accountant's Report on Indirect Cost Rates Proposed by the International Rescue Committee (AUD/CG-02-03)

At the request of PRM, OIG conducted a review of indirect cost rates proposed by the International Rescue Committee (IRC) solely to provide information needed to negotiate indirect cost rates with IRC.

Based on the application of the agreed-upon procedures, OIG concluded that the FY 2000 indirect cost rate was mathematically accurate and supported by IRC's accounting and audited financial statements. OIG also identified costs in the indirect

cost pool that are unallowable in accord with OMB Circular A-122. Further, IRC's accounting system does not identify unallowable costs, and written procedures do not exist that would permit such identification.

Independent Accountant's Report on Catholic Relief Services Under U.S. Department of State Grant Agreement No. PRM 81073 (AUD/CG-02-12)

At the request of PRM, OIG conducted a financial and compliance review of the Catholic Relief Services (CRS) under U.S. Department of State Grant Agreement No. PRM 81073.

Based on the application of the agreed-upon procedures, OIG concluded that CRS did not submit financial status reports to the PRM in compliance with the time frame specified in the grant agreement. Also, CRS implemented 21 projects; on three of these projects CRS claimed a total of \$88,143 of expenses in excess of the projects' budget.

Independent Accountant's Report on Church World Services, Inc.'s FY 1999 Indirect Cost Rate Submission Under U.S. Department of State Grant Agreements (AUD/CG-02-13)

At the request of PRM, OIG conducted a review of the Church World Services, Inc.'s (CWS) FY 1999 indirect cost rate submission under Department grant agreements.

Based on the application of the agreed-upon procedures, OIG concluded that the financial schedules prepared by CWS's independent accountants had been prepared in compliance with the requirements of Office of Management and Budget Circular A-122.

Independent Accountant's Report on Reporting by the U.S. Department of Commerce Under Selected Interagency Agreements Issued by the U.S. Department of State (AUD/CG-02-14)

At the request of the Bureau of Nonproliferation (NP), OIG audited reporting by the U.S. Department of Commerce (Commerce) under five selected interagency acquisition agreements issued by the Department. In addition, at NP's request, OIG reviewed eight specific items relating to Commerce's administration of the agreements.

Based on the audit, OIG concluded that a Commerce contractor, who performed under the agreements, billed more than \$150,000 of excess general and administrative expenses. Also, under the agreements Commerce billed and the Department paid Commerce \$10,355,974 to reimburse Commerce for its costs under the agreements. As of September 30, 2001, Commerce has reported expenditures of \$7,101,983. Accordingly, it needs to account to NP for the \$3,253,991 balance.

Upon review of the eight specific items, OIG noted that Commerce used two separate accounting systems to account for costs incurred under the agreements. Neither of these systems provided sufficient data for effective cost management and control or for subsequent comparison of budgeted and incurred costs for individual assignments. Also, Commerce received a single bid in response to two significant solicitations; accordingly, it awarded the contracts without the benefit of competition.

Freight Forwarding (AUD/FM-02-23)

During an audit of the Department's freight forwarding operations, OIG found that the State Transportation and Tracking System (STATS) was not completely or accurately providing all freight forwarding transactions to the Department's accounting system. Before OIG could complete audit field work, the Department took several steps to address this issue, including developing a new system to replace STATS. As a result of the Department's actions, the audit was discontinued.

However, significant observations were forwarded to the Department for their use in improving freight forwarding accounting processes. For instance, OIG observed that there were inadequate controls over accumulating, classifying, and recording revenues and expenses; freight forwarding transactions were not properly recorded in STATS; transportation bills were not being audited before payment; and freight forwarding offices were not in compliance with certain laws and regulations.

Independent Accountant's Report on the Material Handling Rate Applied Under a Department of State Contract (AUD/CG-02-02)

At the request of the contracting officer, OIG conducted agreed-upon procedures to assess whether the application rate applied to equipment purchases and freight forwarding charges incurred under the Department contract for the period July 1, 2000, through May 31, 2001 were allowable, appropriately allocated and were reasonable.

OIG concluded that the contractor consistently followed its cost accounting practices when it added a material handling cost to the amounts it billed for equipment and freight forwarding under the contract. However, the appropriate material handling cost to be added to the amounts billed should be lowered. Therefore, OIG recommended that the contracting officer recover \$90,794 of the \$225,920 material handling fees invoiced during the stated period.

INFORMATION TECHNOLOGY

Streamlined Processes and Better Automation Can Improve Munitions License Reviews (IT-A-02-02)

The munitions export licensing process is an important safeguard to the foreign policy and national security interests of the United States. However, the process as managed by the Department's Office of Defense Trade Controls (DTC) is inefficient and unnecessarily burdensome on industry and other federal agencies involved in munitions license controls. OIG found that the process involves extensive use of manual and paper-based means to transfer information that must be re-keyed into computer systems by recipient organizations. In addition, the process lacks adequate tracking mechanisms from beginning to end, resulting in lost and misplaced applications, as well as additional time and effort. In part, these problems have resulted from DTC's internal information technology (IT) infrastructure, which is comprised of multiple systems that are independent of one another. DTC's lack of external connectivity further limits its ability to share data electronically with other organizations, such as the Department of Defense, also involved in reviewing and approving munitions licenses.

DTC recognizes the need to improve its munitions licensing processes and related information systems and is now developing plans to upgrade its information technology capabilities. However, its approach focuses primarily on automating aspects of the existing process and does not include effective risk management strategies or adequate industry and agency input to help identify and meet requirements. Failure to revise business processes prior to investing in new technology creates the risk of merely automating inefficient ways of doing business. Failure to coordinate effectively with external export licensing organizations grappling with similar technology improvement issues results in duplication of effort.

Recent DTC initiatives are good first steps to improving automated support for the munitions licensing process; however, more needs to be done for the efforts to be effective. Building upon initiatives currently underway, DTC can broaden its efforts to include assessment of the existing munitions licensing process and identification of required improvements. Working with industry and other federal agen-

cies involved in the process, DTC can help develop a strategy for providing secure, integrated systems and processes to help meet these requirements. DTC has taken tentative steps toward improved collaboration; however, sustained interagency effort is necessary to improve automation, integrate, and streamline the federal munitions licensing process as a whole.

DTC accepted in full the report's recommendations, noting only that several remedial activities are underway since the period of OIG's review. DTC also stated that beyond the recommendations much of the report's analysis will serve as a basis for consideration of still further measures to strengthen the timeliness and overall efficiency of the munitions export licensing system.

Challenges to Successful OpenNet Plus Implementation (IT-A-02-03)

The OpenNet Plus program is intended to provide every employee of the Department with desktop access to the Internet. The Internet has become an indispensable source of information and a universal method for rapid communications among organizations engaged in government and business transactions worldwide. Department employees have also become increasingly dependent on the Internet to help them carry out their foreign affairs activities in a reliable, fast, and cost-effective manner.

In accordance with OIG's goal of helping to ensure more effectiveness, efficiency, and security in the Department's information technology operations and infrastructure, OIG conducted a review of the OpenNet Plus program. OIG's report focused on the Department's approach to implementing OpenNet Plus domestically and at overseas embassies and consulates. Specific objectives of the review were to determine whether the Department is adequately planning and managing deployment of OpenNet Plus, to determine whether the Department has taken adequate steps to ensure security of the OpenNet Plus infrastructure, and to identify plans and procedures for monitoring and ensuring proper use of the Internet in accordance with established policy guidelines.

The Department is taking a structured approach to implementing OpenNet Plus, its program for providing this long-awaited capability. The approach includes a deliberate process for ensuring that bureaus and overseas missions meet established

technical, physical, security, and management requirements for Internet access before they are granted connectivity through OpenNet Plus.

However, the Department has not instituted all of the policies needed to support OpenNet Plus implementation—particularly with regard to eliminating redundant Internet connections once OpenNet Plus is deployed and monitoring employee use of the Internet. By instituting the necessary policies, the Department will be able to avoid duplicative costs arising from maintaining separate Internet networks. Establishment of a specific Internet monitoring policy and approach will also minimize the potential for inappropriate use of the Internet in the workplace, and corresponding wasted time and taxpayer dollars.

Classified Connectivity Program: Progress and Challenges (IT-A-02-01)

The Classified Connectivity Program (CCP) is an ongoing effort within the Department to deploy a standards-based, global network for classified information processing and communications to about 250 embassies and consulates overseas. The program is intended to help the Department to meet the objectives of its Information Technology Strategic Plan, FY 2001-05, so as to support international affairs and diplomatic missions with modern, robust, secure, and cost-effective solutions. The CCP provides a commercial-style network and modern hardware and software for classified information processing and exchange at the desktop level. The overwhelming majority of overseas posts have had no classified connectivity or inadequate support from outdated networks, which are increasingly difficult to maintain. The Secretary's call for enhanced capabilities in the Department through the use of state of the art information technology provides the impetus for accomplishing the CCP within the next two years.

OIG conducted a review of the Department's approach to CCP implementation. Specific objectives of the survey were to determine what, if any, security or operational problems are inherent in current classified local area networks overseas; to assess the Department's approach to planning and implementing its network modernizations via the Classified Connectivity Program; and to identify what changes may be needed to the Department's modernization approach.

As a result of its review, OIG found that the Department's initial approach to C-LAN modernization was largely unstructured and with limited funding made

minimal progress, completing only about 20 installations in 1998-99 in contrast to its original objective of 48 deployments per year over a five year period. However, under the direction of the Program Management and Analysis Division within the Bureau of Information Resource Management, the Department currently has a disciplined CCP approach in place and is making continued progress toward meeting its objectives. Since assuming responsibility for the project, the division has completed an additional 55 deployments, for a total of 75 classified local area network modernizations as of September 2001.

Further, in contrast to prior years' budget uncertainties, the CCP is now receiving adequate funding. After initial mid-year 2001 funding delays that impeded installation progress, the program was put back on track with \$26 million provided near the end of the fiscal year. The funding outlook for the CCP in FY 2002 also appears positive. The Department is currently preparing a financial plan, which it will use to allocate FY 2002 funds in accordance with congressional direction.

OIG also found that the Bureau of Diplomatic Security (DS) had not completed the steps needed for CCP certification. Certification is the independent, technical review of a system to identify risks and ensure that the system meets federal information technology security requirements. While DS had provided orally a strategy for CCP certification, it had not developed an overall documented plan for carrying out the systems certification approach. Also, although steps toward certification should be started at the beginning of a system's life cycle, DS planned to delay certifying the CCP concept until late 2002 and did not anticipate conducting subsequent certification of missions' technical and physical environments until 2003. In December 2001, DS told OIG that it was planning to hold only its first meeting to outline a strategy for CCP certification and expected to have an initial draft of the strategy in March 2002.

Additionally, OIG found that the Department's information technology contingency planning efforts have not been adequate to safeguard classified information systems and the critical business functions that they support in the event of unexpected disruptions at missions overseas. The Department's Bureau of Information Resource Management (IRM) estimated that as many as 85 to 90 percent of overseas missions did not have information technology contingency plans in place. OIG found this to be the case despite the fact that there are multiple toolkits available through the Department for developing and implementing the plans. OIG recommended that IRM coordinate and consolidate its contingency planning program with related activities in other Department organizations to help promote consistent information technology contingency planning to support not just the CCP, but the

Department's overall information technology infrastructure. IRM agreed with OIG's report, stating that CCP managers are currently soliciting contingency plans from locations that have modern classified local area network equipment as a means of developing a template to facilitate plan creation at other posts. IRM also stated that foreign affairs guidance already requires coordination of such contingency plans in conjunction with emergency action plans and that IRM working closely with DS in this regard.

Interagency Review of Federal Automated Export Licensing Systems, Report No. D-20-02-074

In response to a congressional mandate, the Inspectors General of the Departments of Commerce, Defense, Energy, Treasury and State (State), conducted an interagency review of Federal automation programs that support the export licensing and review process.

The OIGs found that the dual-use export licensing process involves multiple automated systems owned and operated by the different Federal licensing and review agencies. Overall limitations include differing security standards among agencies, cumbersome manual and paper-based processes, and no comprehensive database of export information available to assist in assessing the cumulative effects of multiple exports. Dual-use export licensing agencies have made progress in modernizing their automated systems. However, those agencies can do more to coordinate their system modernization efforts and may not have adequately considered other system alternatives beyond enhancing existing licensing system interfaces.

In addition, the OIGs found that the munitions export licensing process involves multiple automated systems supporting a process that is inefficient and unnecessarily burdensome, partially because of the uncoordinated manner in which the Department and other federal agencies have developed and operated licensing systems. The Department has taken steps to upgrade some aspects of its automated internal processes. However, the Department's approach does not include adequate risk management, identification of requirements, or coordination with industry and other federal agencies involved in the licensing process.

The OIGs also found that the U.S. Export Systems Interagency Program Management Office has achieved much in its partnership with Commerce by planning and implementing some improvements in the export licensing process for dual-use

commodities. However, the U.S. Export Systems Interagency Program Management Office is not meeting its original goal of modernizing the entire federal export licensing process by providing participating agencies with electronic access to pertinent export data. Specifically, the program lacks full participation by the Department and other involved entities, key project milestones have slipped, and funding requirements have not been sufficiently documented. As a result, the U.S. Export Systems Interagency Program Management Office has been unable to date fully to address inefficiencies, identify requirements, and streamline the federal munitions export licensing process.

The OIGs recommended that the Secretary of Commerce, in conjunction with the Secretaries of Defense, Energy, State, and the Treasury, take the necessary actions to establish accountability for developing, integrating, and modernizing federal automated dual-use export licensing systems without unnecessary duplication. The OIGs also recommended that the Secretary of State develop a memorandum of understanding with the Secretaries of Defense, Energy, and the Treasury that will help ensure that federal automated munitions export licensing systems are developed, integrated, and modernized without unnecessary duplication. Finally, the OIGs recommended that the Secretary of Defense redirect the primary focus of the U.S. Export Systems Interagency Program Management Office to automating, integrating, and modernizing Defense's processes for disseminating and reviewing export license applications and associated technical documentation within Defense.

INVESTIGATIONS

Embezzlement

OIG opened an investigation in the summer of 2000, based upon information provided by CA concerning financial irregularities at the Miami Passport Agency. OIG investigators and auditors conducted record reviews that developed evidence of criminal activities. In August 2000, two cashiers, one of whom was a supervisor, admitted during interviews that they had taken money from passport fees. Shortly after this, they were terminated from employment. Additional OIG record reviews and analysis established the extent of the thefts.

In August 2001, both of these individuals were indicted on a charge of conspiring to embezzle over \$850,000 between May 1997 and June 2000. On January 18, 2002, both defendants pleaded guilty to this charge in U.S. District Court. As part of the statement submitted to the Court, they admitted that they had used the stolen money to purchase vehicles, take vacations, and pay other personal expenses. (00-088)

Contract Fraud

OIG opened an investigation in February 1998, based upon information from the U.S. Department of Justice, indicating that a large U.S. construction company, which had contracts with the Department and USAID, was involved in contract fraud.

In November 1998, OIG coordinated with German law enforcement authorities in the execution of a search warrant in Mannheim, Germany on the offices of a German partner of the American company. A review of the documents obtained during this search provided evidence of a bid-rigging agreement involving the American company and its partners.

In July 2001, a federal grand jury in Birmingham, Alabama indicted the American company, its foreign affiliate, and its former president for conspiring to rig bids and to defraud the U.S. government of more than \$250 million on USAID-funded projects in Egypt between 1988 and 1996.

On February 4, 2002, the foreign affiliate of the American company pleaded guilty to the bid-rigging charge, and agreed to pay \$54 million to the U.S. govern-

ment in restitution. On February 12, 2002, a trial jury found the former president of the American company guilty of both charges. Sentencing was pending at the end of this reporting period. (98-047)

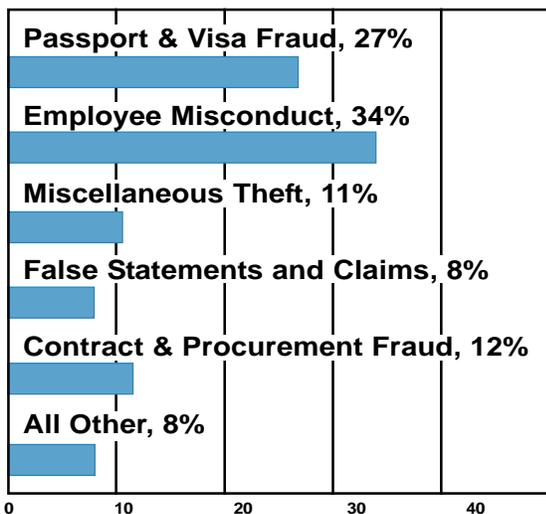
Visa Fraud

OIG received information from the U.S. Border Patrol (USBP) indicating that laser visas were being issued to Mexican nationals who would not have legitimately qualified for such visas, such as criminal aliens, or aliens who had previously been deported from the United States. USBP reported that it had seized five such visas that had been issued by a particular consulate near the U.S. border; and that in each of these cases, the fingerprint on the laser visa did not match the actual fingerprint of the person to whom the visa had been issued.

An OIG investigator traveled to the consulate in January 2002, and, working with the RSO and a USBP agent, conducted record reviews and interviews. Two FSNs employed at the consulate admitted that they had conspired to issue laser visas to ineligible Mexican nationals. They estimated that they had issued approximately 60 such visas over the course of approximately one year. They stated that they received about \$1,000 each for each visa. The FSNs stated that all of these visas were issued during off-site visits away from the consulate. They estimated that they issued five or six fraudulent visas during each off-site trip.

The investigation also determined that two FSNs employed at the consulate had engaged in similar schemes. All four of these people were terminated from employment. (02-022)

Types of Cases*

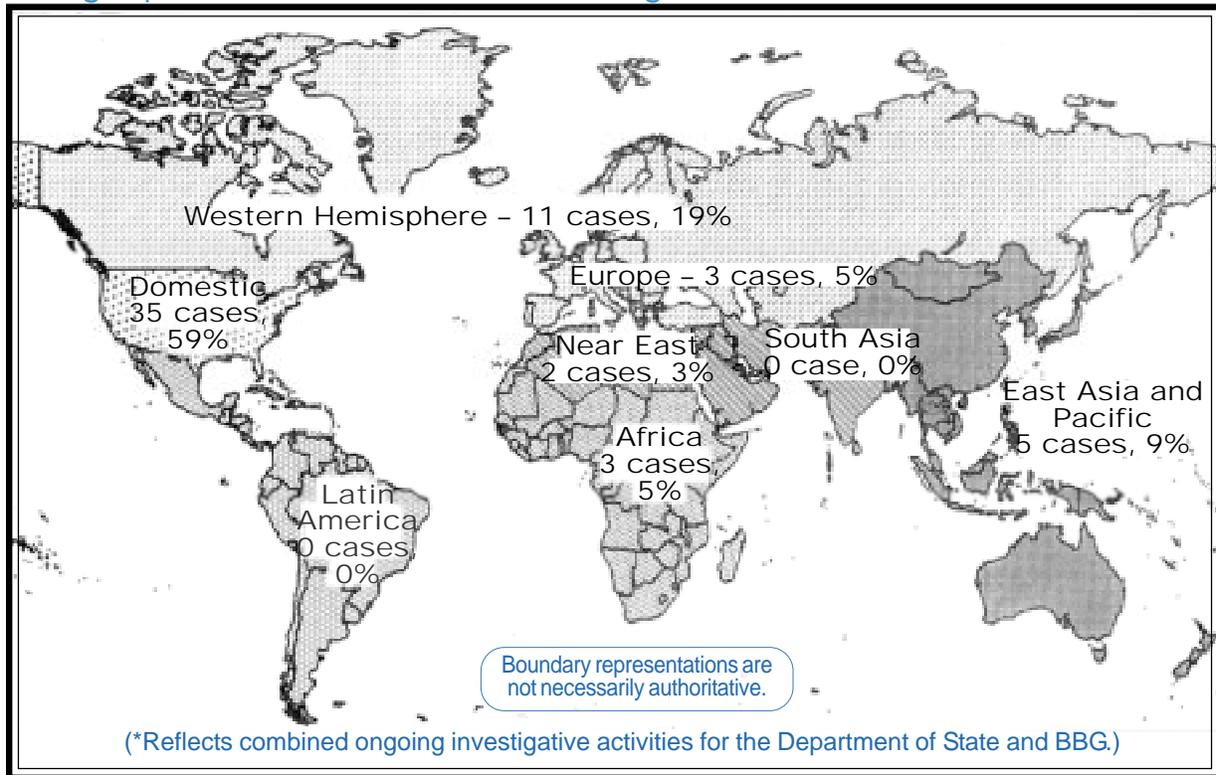


(*Reflects combined ongoing investigative activities for the Department of State and BBG.)

Conflict of Interest

An OIG investigation determined that a senior Department official failed to submit a calendar year 2000 Public Financial Disclosure Report after having been sent several written notices. As a result of the investigation, the official paid the required \$200 late filing penalty. In addition, the Bureau of Human Resources (HR) proposed a three-day suspension of the senior official. (02-002)

Geographic Distribution of Investigations*



An OIG investigation determined that a senior Department official failed to disclose an unpaid membership on the Board of Advisors of a Department contractor, creating the appearance of a conflict of interest. On October 22, 2001, HR issued a letter of reprimand to the senior official for failure to seek ethics advice that created the appearance of a conflict of interest and giving preferential treatment. (00-101)

Followup Actions

OIG opened an investigation in April 1998, based upon information that officers of a company based in Northern Virginia were engaged in a large-scale scheme to defraud using the EB-5 investor visa program. Under this program, U.S. immigrant visas may be issued to foreign nationals who invest at least \$500,000 in a business that creates jobs in high-unemployment areas of the United States.

This joint investigation with INS and IRS developed evidence that company principals had been involved in submitting numerous fraudulent visa petitions, as

well as making other false statements to the government; and that they used funds obtained from alien customers, which were to be invested, for their own use. Little, if any, money was invested in U.S. businesses, and few, if any, jobs were created.

In August 2000, the two principal officers of the company were charged in a 61-count indictment with visa fraud, conspiracy, money laundering, filing false tax returns, failure to file, and bankruptcy fraud. The defendants represented themselves in a bench trial during March and April 2001. On August 16, 2001, the Court found the defendants guilty of all charges in the indictment. On January 11, 2002, one of these defendants was sentenced to 124 months' imprisonment, and the other was sentenced to 112 months' imprisonment. Both were ordered to serve three years of supervised release upon completion of their prison terms. The Court also ordered them jointly to make restitution of \$17.6 million to the victims of the scheme. (See OIG Semiannual Report, April 1 to September 30, 2001, pp. 57-58, and OIG Semiannual Report, April 1 to September 30, 2000, pp. 30-31) (98-079)

OIG opened a joint investigation with INS, IRS, and the Social Security Administration's Office of Inspector General, based upon information that a network of individuals was engaged in a scheme involving visa fraud, alien smuggling, and money laundering. This group, operating in several parts of the United States and the Czech Republic, was engaged in a conspiracy to profit from the employment of unauthorized alien workers in the United States.

The investigation determined that the group assisted foreign nationals in obtaining nonimmigrant visas from U.S. consulates by misrepresenting the true purposes of the travel, and by providing fraudulent documentation in support of visa applications. Once in the United States, many of these foreign nationals were provided with counterfeit H1-B visas, which authorize employment. These fraudulent visas were then used to obtain social security cards and other identity documents.

Four Czech nationals, who had been living in the United States, entered guilty pleas to felony charges in U.S. District Court in Norfolk, Virginia in February 2000. One of these individuals, who had pleaded guilty to conspiracy to launder monetary instruments, was sentenced to 84 months' incarceration, and was ordered to forfeit \$136,763 in seized assets. The other three individuals received lesser sentences.

In April 2001, two Slovak nationals residing in Florida were arrested, and subsequently pleaded guilty in Norfolk, VA to charges of knowingly employing ten or more aliens. In September 2001, one of these individuals was sentenced to seven months' imprisonment; in November 2001, the other was sentenced to nine months' imprisonment.

On July 25, 2001, two naturalized U.S. citizens residing in Florida were indicted on felony charges related to this scheme. On February 8, 2002, one of these individuals pleaded guilty to conspiracy to launder monetary instruments. On February 28, 2002, after a jury trial, the other individual was found guilty of conspiracy to commit money laundering, knowingly employing ten or more unauthorized aliens, and encouraging unauthorized aliens to enter and reside in the United States. Sentencing is still pending. (See OIG Semiannual Report, April 1 to September 30, 2001, pp. 58-59, and OIG Semiannual Report, October 1, 2000 to March 31, 2001, pp. 52-53) (99-072)

Hotline



The OIG Hotline, operated by the Office of Investigations, is a prompt, effective channel for employees and others to report incidents of fraud, waste, abuse, and mismanagement to the Inspector General. Below is a summary of Hotline activity for the agencies for which OIG has oversight.

Total allegations received	166
Held for action within OIG	51
Referred to other offices for action	82
Not substantiated – no action necessary	33

APPENDIX 1: INVESTIGATIVE ACTIVITIES¹

Workload		Total Judicial Actions	31
Cases pending 9/30/01	89	Criminal	
New cases opened	16	Prosecutive referrals	
Cases closed	46	2	
Cases pending 3/31/02	59	Prosecutive declinations	3
Preliminary inquiries pending 9/30/01	19	Prosecutive dismissals	0
Prelim opened	38	Acquittals	0
Prelim closed	38	Indictments ²	2
Prelim converted to cases	0	Convictions	7
Preliminary inquiries pending 3/31/02	19	Sentencings	13
Total Administrative Actions	9	Time sentenced	413 months
Admonishments	0	Time probation	21 years
Counseling	0	Court-ordered fines	\$17,612,700
Curtailment	0	Court-ordered restitutions	\$5,000
Demotions	0	Civil	
Reimbursements	0	Referrals	1
Reprimands	1	Declinations	0
Resignations	0	Complaints	0
Suspensions	0	Judgments	0
Terminations	4	Court-ordered fines	0
Administrative referrals	4	Recoveries	9,000
PFCRA ³ referrals	0	Total judgments and recoveries	0
Savings	0		

Administrative recoveries ⁴	\$ 0
Judicial recoveries ⁵	\$ 17,626,700
Total Investigative Recoveries	\$ 17,626,700

¹ This appendix reflects investigative statistics for the Department of State only. Please see page 87 for investigative statistics related to BBG.

² Indictments included formal criminal charges brought against a subject. The manner in which charges are brought varies from country to country.

³ Program Fraud and Civil Remedies Act.

⁴ Includes recoveries from administrative actions, such as reimbursements and savings.

⁵ Includes recoveries from judicial actions, including court-ordered fines and restitutions and civil judgments and recoveries.

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

APPENDIX 2: REPORTS ISSUED

Office of Security and Intelligence Oversight

SIO-I-02-01	Embassy Beijing, China	12/01
SIO-I-02-02	Embassy Bangkok, Thailand	12/01
SIO-I-02-03	Consulate General Hong Kong	12/01
SIO-C-02-04	Embassy Brussels, Belgium & US Missions to NATO and EU	2/02
SIO-I-02-05	Embassy Vientiane, Laos	12/01
SIO-I-02-07	Embassy Georgetown, Guyana	12/01
SIO-I-02-08	Limited-Scope Embassy Monrovia, Liberia	3/02
SIO-A-02-09	Audit of Armored Vehicle Program	2/02
SIO-I-02-10	Embassy Curacao, Netherlands Antilles	3/02
SIO-C-02-16	Embassy Panama City, Panama	2/02
SIO-I-02-17	Limited-Scope Embassy Freetown, Sierra Leone	3/02
SIO-I-02-20	Embassy Paramaribo, Suriname	2/02
SIO-I-02-21	Limited-Scope Embassy Minsk, Belarus	3/02
SIO-I-02-22	Limited-Scope Embassy Abidjan, Cote d'Ivoire	3/02
SIO-I-02-23	Limited-Scope Embassy Nouakchott, Mauritania	3/02
SIO-I-02-25	Limited-Scope Embassy Rome and Constituent Posts and Embassy Vatican	3/02
SIO-I-02-27	Limited-Scope Embassy Banjul, the Gambia	3/02
SIO-I-02-29	Limited-Scope Embassy Belize City, Belize	3/02
SIO-I-02-31	Embassy Ulaanbaatar, Mongolia	3/02
SIO-A-02-35	Enhancing the Protection of Classified Documents at Department Headquarters	3/02

Office of Inspections (A - Annexes)

ISP-I-02-01 & A	Embassy Nassau, the Bahamas	2/02
ISP-I-02-02 & A	Embassy Kingston, Jamaica	1/02
ISP-I-02-03 & A	Embassy Bridgetown, Barbados	2/02
ISP-I-02-04 & A	Embassy San Jose, Costa Rica	11/01
ISP-I-02-05 & A	Embassy Guatemala City, Guatemala	11/01
ISP-I-02-06 & A	Embassy Tegucigalpa, Honduras	12/01
ISP-I-02-07	Office of American Citizen Services and Crisis Management	2/02
ISP-I-02-08	Embassy Koror, Republic of Palau	2/02
ISP-I-02-09	Embassy Kolonia, Federated States of Micronesia	2/02
ISP-I-02-10	Embassy Majuro, Republic of the Marshall Islands	2/02
ISP-I-02-11	Embassy Suva, Republic of Fiji	2/02
ISP-I-02-12	Embassy Port Moresby, Papua New Guinea	2/02
ISP-I-02-14	Embassy Vatican, Vatican City	3/02
ISP-I-02-15	Embassy Valletta, Malta	3/02
ISP-I-02-16	US Mission to the United Nations Agencies for Food and Agriculture in Rome	3/02
ISP-I-02-19 & A	Embassy Belize City, Belize	3/02
ISP-C-02-20	Embassy Panama City, Panama	3/02
ISP-I-02-21 & A	Embassy Abidjan, Cote D'Ivoire	3/02

ISP-I-02-22	Embassy Freetown, Sierra Leone	3/02
ISP-I-02-23 & A	Embassy Monrovia, Liberia	3/02
ISP-I-02-24	Embassy Riga, Latvia	3/02
ISP-I-02-25	Embassy Tallinn, Estonia	3/02
ISP-I-02-26	Embassy Vilnius, Lithuania	3/02
ISP-I-02-27	Embassy Minsk, Belarus	3/02
ISP-I-02-29	Embassy Praia, Cape Verde	3/02
ISP-I-02-30 & A	Embassy Banjul, The Gambia	3/02
ISP-I-02-31	Embassy Nouakchott, Mauritania	3/02
ISP-CA-02-32	Review of Domestic Passport Operations	3/02

Office of Audits

AUD/CG-02-02	Independent Accountant's Report on Agreed-Upon Procedures on the Material Handling Rate Applied by RDR, Inc.	12/01
AUD/CG-02-03	Independent Accountant's Report on Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the International Rescue Committee, Inc.	2/02
AUD/CG-02-04	Audit of Costs by the Human Rights Alliance	11/01
AUD/FM-02-05	International Boundary and Water Commission	2/02
AUD/FM-02-06	Review of Intragovernmental Receivables	1/02
AUD/FM-02-07	OPM Agreed-Upon Procedures	12/01
AUD/PPA-02-08	OIG Review of the Overseas Explosive Detection Program	12/01
AUD/PR-02-09	DOS Humanitarian Response Efforts for Women Refugees and Conflict Victims	3/02
AUD/FM-02-10	Audit of the U.S. Dept. of State 2001 Principal Financial Statements	2/02
AUD/CG-02-12	Independent Auditor's Report on Financial & Compliance Agreed-Upon Procedures on Catholic Relief Services Under U.S. Department of State Grant Agreement No. PRM 81073	2/02
AUD/CG-02-13	Independent Auditor's Report on Agreed-Upon Procedures on Church World Service, Inc.'s FY 1999 Indirect Cost Rate Submission Under U.S. Department of State Grant Agreement	2/02
AUD/CG-02-14	Report on Compliance and Internal Control over Financial Reporting Related to Costs Incurred by the US Dept. of Commerce as of September 30, 2001	3/02
AUD/FM-02-15	Information Technology Vulnerability Assessment to the Central Financial Management System	3/02
AUD/FM-02-17	Procedures Report on Federal Intragovernmental Activity and Balances	3/02
AUD/FM-02-18	Federal Agencies' Centralized Trial Balance System	3/02
AUD/PPA-02-20	Review of U.S. Support to the International Police Task Force in Bosnia	3/02
AUD/CG-02-21	Review of Direct Labor and Indirect Expense Rates Proposed by Skidmore, Owings & Merrill LLP	3/02
AUD/PR-02-22	Civil Service Leadership Training	3/02
AUD/FM-02-23	Freight Forwarding	3/02
AUD/FM-02-24	Foreign Service National Payroll	3/02

Information Technology

IT-A-02-01	Classified Connectivity Progress and Challenges	2/02
IT-A-02-02	Streamlined Processes and Better Automation Can Improve Munitions License Reviews	3/02
IT-A-02-03	Challenges to Successful OpenNet Plus Implementation	3/02

APPENDIX 3: SAVINGS & MORE EFFECTIVE USE OF RESOURCES

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS¹
WITH QUESTIONED COSTS²

	Number of Reports	(Dollars in Thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	11	17,415	10,348
B. Which were issued during the reporting period	4	4,072	3,254
Subtotals (A2 + B)	15	21,487	13,602
C. For which a management decision was made during the reporting period, based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	1	1,100	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	15	20,387	13,602
Reports for which no management decision was made within 6 months of issuance	10	16,315	10,348

¹ Includes audit reports issued by the Office of Audits and by the Office of Security and Intelligence Oversight.

² Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE¹

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	5	1,541
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	5	1,541
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	5	1,541
Reports for which no management decision was made within 6 months of issuance	5	1,541

¹ A “recommendation that funds be put to better use” is a recommendation by the OIG that funds could be used more efficiently if Department management took actions to implement and complete the recommendations, including reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor, or a grantee; avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or any other savings which are specifically identified.

APPENDIX 4: RESOLUTION OF REPORTS & RECOMMENDATIONS

PREVIOUSLY REPORTED SIGNIFICANT AUDIT RECOMMENDATIONS¹ PENDING FINAL ACTION²

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
3-PP-014		<i>Maintenance and Repair of Buildings Overseas</i> 1. Develop a system to identify and monitor the worldwide backlog of maintenance and repair deficiencies, including determining an acceptable level for the backlog and periodically updating the backlog for corrective action taken, additional deficiencies identified, and improved cost estimates.	3/31/94
93-A-34/ ARR-95-08		<i>Grants Management Followup</i> 5. Require monthly reporting requirements on the project's status. 6. Ensure that data in the grants system is reconciled with data in other grant-related systems.	3/31/95
APR-96-07		<i>Exchange Visitor Information System</i> 3. Determine the feasibility of electronically transmitting J Visa data from sponsor organizations to the EVIS database at USIA.	3/31/96

¹ Includes audit recommendations reported as significant in semiannual reports prior to September 30, 2000, on which Department management has agreed to take corrective action but for which those actions are not yet complete.

² Final action is recorded when a proposed course of action in response to a recommendation has been accepted by OIG and completed by management to OIG's satisfaction.

SUMMARY OF AUDIT REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

Management of Secure Communications (SIO/A-97-15), March 1997

Summary: OIG made 22 recommendations to the Director General of the Foreign Service and the Director of Personnel (now Human Resources) to require personnel, like IM specialists staff, who hold positions with access to bulk quantities of sensitive information to undergo a special counterintelligence screening process prior to each assignment. Three of the recommendations remain unresolved, which were assigned to the Director General of the Foreign Service.

Reason Unresolved: The Director General of the Foreign Service has not responded, formally or informally to the report and subsequent follow-up inquiries.

To be resolved by: May 2002

Overseas Telephone Systems Security Management (SIO/A-00-01), November 1999

Summary: OIG made 19 recommendations to find solutions to overseas telephone security risks; 5 of these remain unresolved and were assigned to DS.

Reason unresolved: OIG is working with DS and with the Chief Information Officer to reach resolution on all of the recommendations.

To be resolved by: June 2002

North/South Center (ARR-94-03), March 1994

Summary: OIG recommended that USIA seek reimbursement of \$1,507,261 in questioned costs, approximately \$1 million of which resulted from an inequitable allocation of indirect costs to the Center. The Department of Health and Human Services, which has audit cognizance, established new indirect cost rates.

Reason unresolved: The Department deferred action on about \$480,000 in remaining questioned costs pending further consultation with the Bureau of Educational and Cultural Affairs and awaiting additional information from the bureau.

To be resolved by: September 2002

International Institute of Wisconsin (CG-96-01), September 1996

Summary: OIG made recommendations on questioned grant costs totaling \$46,636 and internal controls and noncompliance issues.

Reason Unresolved: The Department is seeking clarification and documentation from the grantee.

To be resolved by: December 2001

Review of Indirect Costs Rates Proposed by the Institute of International Education (CG-99-015), May 1999

Summary: OIG made recommendations on questioned costs totaling \$1,054,098 that resulted from an inequitable allocation in indirect costs.

Reason Unresolved: The Department deferred a decision on the questioned costs pending completion of the appeal process.

To be resolved by: Unknown, Under appeal.

SUMMARY OF AUDIT REPORTS
WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

Sale and Leaseback Arrangement Proposed by the Institute of International Education
(CG-99-016), May 1999

Summary: OIG made recommendations on the sale and leaseback arrangement proposed by the grantee that did not constitute a sale and leaseback within the meaning of the OMB cost principles and projected Funds Put to Better Use of \$4,300,000 over the life of the lease.

Reason Unresolved: The Department deferred a decision pending completion of the appeal process.

To be resolved by: Unknown; under appeal.

Washington Workshops Foundation *(CG-99-025), September 1999*

Summary: OIG made recommendations on questioned costs totaling \$913,000 and internal controls and compliance issues.

Reasons Unresolved: The Department is seeking clarification from the grantee.

To be resolved by: September 2002

Town Affiliation Association of the U.S. *(00-CG-019), July 2000*

Summary: OIG made recommendations on questioned costs totaling about \$908,812 and internal controls and compliance issues.

Reason Unresolved: The Department is reviewing additional documentation provided by the grantee.

To be resolved by: September 2002

The American Councils for International Education *(00-CG-032), September 2000*

Summary: OIG made recommendations on questioned costs totaling \$1,186,847 and compliance issues.

Reason Unresolved: The Department is seeking clarification and additional documentation from the grantee.

To be resolved by: September 2002



United States Department of State
and the Broadcasting Board of Governors

Inspector General

BROADCASTING BOARD OF GOVERNORS

April 30, 2002

MEMORANDUM

TO: Mr. Marc B. Nathanson, Chairman
Broadcasting Board of Governors

FROM: Clark Kent Ervin *CKE*
Inspector General

SUBJECT: Semiannual Report to Congress,
October 1, 2001, to March 31, 2002

I am pleased to transmit to you the Office of Inspector General's semiannual report to the Congress for the period ending March 31, 2002.

During this semiannual period, in response to a congressional request, OIG reviewed the broadcast activities of the Broadcasting Board of Governors (BBG) in the Middle East and the plans for the new Middle East Radio Network (MERN). OIG found that MERN is an innovative and timely initiative that can advance U.S. foreign policy interests in the Middle East. OIG recommended that the Department of State (Department) design and implement a plan to develop the internal language proficiency necessary to articulate American policies and viewpoints in Middle Eastern media outlets. OIG recommended that BBG, in coordination with the Department, design and implement a program to place public diplomacy advisors with MERN. Finally, OIG recommended that BBG, as quickly as possible, introduce as much news programming into MERN broadcasts as it can.

Also during this period, OIG reviewed BBG's broadcast affiliates program, which includes over 1,900 active affiliates. OIG sought to determine whether the affiliates program is adequately planned and effectively implemented, and whether monitoring and controls are in place and effective. OIG found that the Office of Affiliate Relations was relying on miscellaneous BBG planning documents and other engineering studies for guidance, which provide only a general framework. OIG found that the affiliates office needs to improve its monitoring of affiliate broadcasts and administrative controls over affiliates equipment and agreements.

The Inspector General Act requires that you transmit the report to the appropriate committees of the Congress by May 31, 2002, together with any comments you may wish to make.

BROADCASTING BOARD OF GOVERNORS

Survey of the Broadcasting Board of Governors' Middle East Broadcasting Activities and Initiatives (IBO-A-02-02)

The ranking minority member of the Senate Foreign Relations Committee asked OIG to review the BBG's broadcast activities in the Middle East. He also asked OIG to evaluate the BBG's plans for a new initiative to broadcast to the Middle East by radio, the Middle East Radio Network (MERN). MERN is designed to provide an alternative to the media in the region and is intended to be a credible source of news and information about both the countries in the region and the United States.

OIG's principal finding is that MERN is an innovative and timely initiative that can advance U.S. foreign policy interests in the Middle East. The structure and format of MERN will differ from previous Voice of America (VOA) programming and represents a new model for international broadcasting, a hybrid of traditional VOA programming about America and local broadcast streams. MERN, however, is only partially operational at this time and should be considered a pilot project that can and will evolve over time.

In addressing the requestor's specific concerns, OIG found that:

- U.S. positions cannot be presented better through existing media outlets already operating in the Middle East, which are generally hostile to U.S. policy or are operated by local governments and represent their views.
- BBG is capable of making the vision of MERN a reality; provided, ways are found to reconcile the tension inherent in the applicable statutes between the BBG's "professional independence and integrity" (22 U.S.C. 6204 (d)) and its obligation to broadcast in a manner "consistent with the broad foreign policy objectives of the United States" (22 U.S.C. 6202 (a)(1)).
- As both a surrogate broadcaster (i.e., one that broadcasts about the countries in the region) and one that broadcasts about America, MERN can function within VOA's organizational framework. Moreover, VOA, which is mandated to broadcast about America, already broadcasts some surrogate programming of its own in Africa.

- MERN can remain consistent with U.S. interests if its personnel are resident nationals of Middle East and other Muslim countries; provided, the requisite editorial controls are in place. Those controls, according to BBG, will include editing of news stories by a bilingual American broadcaster so that items likely to spark controversy are caught before transmission.
- Appropriate editorial control can be implemented from Washington, so long as there is a pre-broadcast review by an American.

BBG has responded to and supported U.S. foreign policy interests in the Middle East. Even though BBG concedes that its past efforts to reach Middle East audiences have been largely unsuccessful, it is this recognition that led BBG to conceive of MERN prior to the September 11, 2001, terrorist attacks on the United States.

Based on the report's findings, OIG made three recommendations. First, the Department should develop and implement a plan to develop the internal language proficiency needed credibly to articulate American policies and viewpoints in Middle Eastern media outlets. Second, BBG should design and implement a program, in coordination with the Department, to place public diplomacy advisors with MERN. Third, BBG should design and implement a plan to introduce as much news programming in MERN broadcasts as is possible as quickly as possible.

This report was a survey, and not exhaustive, due to the time constraints of the request. However, OIG will follow-up, once MERN has been operational for a year, with a more thorough review.

Review of the Broadcasting Board of Governors' Broadcast Affiliates Program (IBO-A-02-01)

OIG reviewed the broadcast affiliates program of the BBG. Generally, an "affiliate" is a station or network of stations to which BBG transmits programs for re-broadcast to local audiences/viewers. Affiliates broadcast in real time or rebroadcast via television as well as by FM and AM radio, or through live streaming audio or video on the Internet. The primary strategic goal of U.S. international broadcasting is "to promote the free flow of information around the world." In support of this goal, U.S. broadcasting aims to reach audiences in the languages, media, and program formats that are most appropriate. Increasingly, BBG is accomplishing this through the use of affiliate radio and television stations overseas, with over 1,900 active

affiliates. The objectives of the review were to determine whether the affiliates program is adequately planned and effectively implemented and whether monitoring and controls are in place and effective.

OIG found that the Office of Affiliate Relations was relying on miscellaneous BBG planning documents and other engineering studies for guidance, which provide only a general framework for affiliate planning. As BBG places more emphasis on the quality of the affiliates it acquires, the affiliates office needs to develop a comprehensive strategic plan. After such a plan has been completed and approved, the BBG performance reporting requirements under the Government Performance and Results Act, Public Law 103-62, should be revised accordingly. The affiliates office also needs to ensure that improvements are made in its electronic database of affiliate broadcasters so that the system can be an effective management tool to support the affiliates mission. While the affiliates office has achieved much success in expanding audiences, it is hampered in carrying out its mission by a lack of resources. With a Memorandum of Understanding now in place between BBG and the Department, there is a greater opportunity for public affairs sections to work in support of BBG affiliates overseas. Finally, OIG found that the affiliates office needs to improve its monitoring of affiliate broadcasts and administrative controls over affiliate equipment and agreements.

Major report recommendations called on BBG to implement a strategic plan, including database improvement; to provide the Office of Affiliate Relations with the resources necessary to accomplish its mission; to communicate to Department public affairs sections the program's priorities and support requirements; and to distribute effectively equipment and update affiliate agreements.

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Workload

Cases pending 3/31/01	1
New cases opened	0
Cases closed	0
Cases pending 9/30/01	1

Total Judicial Actions 0

Prosecutive Referral 0

Prosecutive Declination 0

Total Administrative Actions 0

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

APPENDIX 2: REPORTS ISSUED

IBO-A-02-01	Review of the Broadcasting Board of Governors' Broadcast Affiliates Program	11/01
IBO-A-02-02	Review of the Broadcasting Board of Governors' Middle East Broadcasting Activities and Initiatives (MERN)	3/02

APPENDIX 3: SAVINGS & MORE EFFECTIVE USE OF RESOURCES

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Number of Reports	(Dollars in Thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
Subtotals (A + B)	0	0	0
C. For which a management decision was made during the reporting period, based on formal administrative or judicial appeal	0	0	0
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within 6 months of issuance	0	0	0

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
Reports for which no management decision was made within 6 months of issuance	0	0

SUMMARY OF AUDIT REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

International Broadcasting Oversight

BBG Transition to Independence (01-FP-M-018), March 2001

Summary: OIG made seven recommendations to the Broadcasting Board of Governors (BBG) and the Department of State to finalize a series of memoranda concerning operating agreements, follow through with establishing a financial service center at BBG, determine the level of BBG support to the Department for interactives and other diplomacy programming on a non-reimbursable basis, and resolve differences concerning U.S. chief of mission authority over Voice of America correspondent travel overseas. One recommendation to the Department's Office of the Undersecretary for Public Diplomacy and Public Affairs remains unresolved. It calls for the development of a programming needs assessment to support requests for BBG transmission services.

Reason Unresolved: The Department's Office of the Undersecretary for Public Diplomacy and Public Affairs has not responded, formally or informally, to the report and subsequent follow-up inquiries. An ongoing OIG inspection of the Department's Bureau of Public Affairs indicates that funding has now been approved to conduct the programming needs assessment and the study can move forward.

To be resolved by: June 2002

BBG Audience Research Program (01-FP-R-042), May 2001

Summary: OIG made seven recommendations to BBG to establish procedures to ensure that Board language priorities are considered in allocating audience research funds, ensure the broadcast entities document the use of research recommendations in making broadcast and programming decisions, require the broadcast entities to work with the IBB Strategic Planning Office to improve the agency's GPRA planning and reporting process, and ensure that the audience research contracting practices of Radio Free Europe/Radio Liberty (RFE/RL) and Radio Free Asia adhere to OMB guidance. One recommendation remains unresolved dealing with the broadcast entities need to document their use of audience research in making decisions on programs.

Reason Unresolved: The BBG management decision of August 15, 2001, concerning this recommendation indicates that it may have misunderstood the intent of the recommendation. BBG commented that to comply with the recommendation would require the establishment of a new GPRA "measurement bureaucracy." In our December 2001 response to BBG, we disagreed and pointed out that the recommendation does not relate to GPRA requirements. In general, we noted that the recommendation addresses the requirement in the BBG audience research charter that "broadcast management demonstrate systematic use of audience research." In addition, we pointed out that RFE/RL already had made strides in implementing a process that, if fully implemented, should satisfy our recommendation and could be used as a model for the other broadcast entities. As of the end of March 2002, BBG had not answered the OIG December 2001 response.

To be resolved by: June 2002

LIST OF ABBREVIATIONS

BBG	Broadcasting Board of Governors
C-LAN	Classified local area network
CA	Bureau of Consular Affairs
CCP	Classified Connectivity Program
CFO	Chief financial officer
CRS	Catholic Relief Services
CWS	Church World Services, Inc.
DTC	Defense Trade Controls
DS	Bureau of Diplomatic Security
EU	European Union
FACTS	Federal Agencies' Centralized Trial-Balance System
FAO	Food and Agriculture Organization
FODAG	UN Agencies for Food and Agriculture
FSI	Foreign Service Institute
FSN	Foreign Service national
GMRA	Government Management Reform Act
HR	Bureau of Human Resources
HR/CSP	Office of Civil Service Personnel, HR
HR/EX	Executive Office, HR
IBWC	International Boundary and Water Commission
INR	Bureau of Intelligence and Research
IPTF	International Police Task Force
IRC	International Rescue Committee
IRM	Bureau of Information Resource Management
IT	Information technology
LCDI	Leadership Competencies Development Initiative
LMS	School of Leadership and Management
OBO	Office of Overseas Buildings Operations

MPP	Mission performance plan
NATO	North Atlantic Treaty Organization
NP	Bureau of Nonproliferation
OIG	Office of Inspector General
PRM	Bureau of Population, Refugees, and Migration
RM/F/DFS/FO/PD	Payments Division, Bureau of Resources Management
RSO	Regional security officer
SAR	Semiannual report
SCI	Sensitive compartmented information
STATS	State Transportation and Tracking System
UN	United Nations
USAID	United States Agency for International Development
USBP	United States Border Patrol
USIS	United States Information Service
VOA	Voice of America
WFP	World Food Program

INDEX OF REPORTING REQUIREMENTS
INSPECTOR GENERAL ACT OF 1978, AS AMENDED

REQUIREMENT	SUBJECT	PAGE NUMBERS
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Section 5(a)(2)	Significant recommendations for corrective action	19-64, 83-85
Section 5(a)(3)	Prior significant recommendations unimplemented	77
Section 5(a)(4)	Matters referred to prosecutive authorities	65-69
Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued	73-74, 87
Section 5(a)(7)	Summaries of significant reports	19-64, 83-85
Section 5(a)(8)	Audit reports—questioned costs	75, 88
Section 5(a)(9)	Audit reports—funds to be put to better use	76, 88
Section 5(a)(10)	Prior audit reports unresolved	78-79, 89
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None

Summary of OIG Accomplishments

Financial Results:

Questioned costs	
Issued during the reporting period	\$ 4,071,663
Management decision during the reporting period	\$ 1,100,000
Recommendations for funds to be put to better use	
Issued during the reporting period	\$ 0
Management decision during the reporting period	\$ 0
Investigative recoveries	\$17,626,700

Investigative Results:

Cases opened	16
Cases closed	46
Judicial actions	31
Administrative actions	9
Hotline and complaint activity	166

Reports Issued: 53

Pictured on Front Cover: Embassy Minsk,
Belarus. See page 33 for synopsis of
OIG report ISP-I-02-27.

Requests for additional copies of this
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